

**TOWN OF BLACKSBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**June 30, 2005**

**DEPARTMENT OF FINANCIAL SERVICES**



# **TOWN OF BLACKSBURG, VIRGINIA**

## **TABLE OF CONTENTS**

### **INTRODUCTORY SECTION**

	<b>Page</b>
Letter of Transmittal .....	i
Certificate of Achievement for Excellence in Financial Reporting.....	v
Directory of Principal Officials .....	vi
Organizational Chart.....	vii

### **FINANCIAL SECTION**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3

#### **Basic Financial Statements**

##### **Government-wide Financial Statements**

Exhibit 1 Statement of Net Assets.....	5
Exhibit 2 Statement of Activities .....	6

##### **Fund Financial Statements**

Exhibit 3 Balance Sheet – Governmental Funds .....	7
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Non-GAAP Budgetary Basis) .....	9
Exhibit 6 Statement of Net Assets (Deficit) – Proprietary Funds .....	10
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) – Proprietary Funds .....	11
Exhibit 8 Statement of Cash Flows – Proprietary Funds.....	12
Exhibit 9 Statement of Fiduciary Net Assets .....	13

Notes to Financial Statements .....	14
-------------------------------------	----

#### **Required Supplementary Information**

Exhibit 10 Analysis of Funding Progress for Defined Benefit Pension Plan.....	35
---	----

#### **Other Supplementary Information**

##### **Combining Statements**

Exhibit A-1 Combining Statement of Net Assets (Deficit) – Non-Major Proprietary Funds .....	39
Exhibit A-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) – Non-Major Proprietary Funds .....	40
Exhibit A-3 Combining Statement of Cash Flows – Non-Major Proprietary Funds .....	41
Exhibit B-1 Combining Statement of Fiduciary Net Assets.....	43
Exhibit B-2 Combining Statement of Changes in Fiduciary Net Assets .....	44

## **TOWN OF BLACKSBURG, VIRGINIA**

### **TABLE OF CONTENTS**

#### **Other Supplementary Information (Continued)**

##### **Supporting Schedules**

Schedule 1 Schedule of Expenditures of Federal Awards .....	47
Schedule 2 Computation of Legal Debt Margin.....	48

### **STATISTICAL SECTION**

Table 1	General Fund Revenue and Other Financing Sources by Source .....	51
Table 2	General Fund Expenditures and Other Uses by Function .....	51
Table 3	Tax Revenue (General Fund) by Source.....	52
Table 4	Property Tax Levies and Collections .....	52
Table 5	Assessed and Estimated Actual Value of Taxable Property .....	53
Table 6	Property Tax Rates and Tax Levies All Direct and Overlapping Governments .....	53
Table 7	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	54
Table 8	Computation of Direct and Overlapping Debt .....	54
Table 9	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures .....	55
Table 10	Schedule of Enterprise/Water and Sewer Fund Bond Coverage .....	55
Table 11	Demographic Statistics.....	56
Table 12	Schedule of Property Value, Construction, and Bank Deposits.....	57
Table 13	Principal Taxpayers .....	58
Table 14	Miscellaneous Data .....	59
Table 15	Continuing Bond Disclosures .....	60-62

### **COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	65
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	67
Independent Auditor's Comments on Resolution of Prior Year Audit Findings .....	69
Summary of Compliance Matters.....	70
Schedule of Findings and Questioned Costs .....	71

# INTRODUCTORY SECTION

---

December 22, 2005

**The Honorable Mayor, Members of Town Council  
and the Citizens of the Town of Blacksburg, Virginia:**

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Blacksburg, Virginia for the fiscal year ended June 30, 2005. This report is submitted in accordance with Section 15.1-167 of the *Code of Virginia*, which requires an annual independent audit and report of financial activity of the Town. The independent certified public accounting firm of Brown, Edwards & Company, L.L.P., has audited the financial statements and supplemental schedules contained herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The CAFR is divided into the Introductory, Financial, Statistical, and Compliance sections. The Introductory Section includes this transmittal letter, the Town of Blacksburg's organizational chart, and a listing of the Town's principal officials and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The Financial Section includes the government-wide financial statements and fund financial statements, as well as the auditors' report on the financial statements and schedules and management's discussion and analysis. The Statistical Section is unaudited and contains selected financial and demographic information, presented on a multi-year basis where appropriate. The Compliance Section includes the auditor's reports on compliance and on internal controls over financial reporting and on compliance with requirements applicable to each major program and internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**The Reporting Entity and Services Provided**

For financial reporting purposes, in accordance with the criteria in Governmental Accounting Standards Board (GASB) Statement No. 14, the Town of Blacksburg includes all funds, agencies, boards, commissions and authorities that are controlled by or are financially dependent upon the Town. Control by or financial dependence was determined on the basis of obligation of the Town to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. As a result of implementing GASB Statement No. 14, the Town of Blacksburg has not identified any entities that should be reported as discretely presented component units of the Town.

Jointly governed organizations of the Town that require only note disclosure presentation according to GASB Statement No. 14 are the Blacksburg-Christiansburg-VPI Water Authority, Montgomery Regional Solid Waste Authority, Blacksburg-VPI Sanitation Authority, the Virginia Tech-Montgomery Regional Airport Authority, and the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization.

## **The Reporting Entity and Services Provided (Continued)**

The Town of Blacksburg provides an extensive range of services for its citizens including general administration, public safety, public works, planning, and recreational activities. The Town also provides and maintains water and sewer utilities, waste management, transit system and a golf course for the benefit of its citizens. Montgomery County, provides public school services and educational programs for the students of the Town of Blacksburg. The Town plays no part in financing or operating public schools, although residents of the Town do assist in financing the operation of the schools through payment of property taxes to the County.

## **Organization of Government**

The Town of Blacksburg was founded and organized in 1798 and incorporated in 1871. The Town is located in Montgomery County, Virginia approximately 40 miles southwest of Roanoke, Virginia. The Town has a land area of 19.6 square miles, expanded from 18.7 square miles by a boundary adjustment negotiated with Montgomery County in 1998. Blacksburg is the largest town in Virginia with a 2005 population of 43,000. Town residents are citizen of and are subject to taxation by Montgomery County.

The Town has been organized under the Council-Manager form of government since 1952. Town Council is the legislative body of the Town and is empowered by the Town Charter to make all Town policy. The Council, including the Mayor, is elected at large for four-year overlapping terms.

Town Council appoints a Town Manager to serve as the chief administrative officer of the Town. The primary duties and responsibilities of the Town Manager include preparation, submittal and administration of the capital and operating budgets, handling citizen concerns, enforcement of the Town Charter and laws of the Town, advising the Council on the affairs of the Town and direction and supervision of all departments.

## **Economic Condition and Outlook**

The economic condition and outlook for the Town of Blacksburg is stable. Managed growth coupled with stability defines the character of the municipal corporation for both FY 2005 and for the near future. The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 100 buildings on its campus. Virginia Tech continues to position itself as a major research institution with a high level of effort being concentrated on Intelligent Vehicle Highway System (IVHS) technology. Growth in technology-based research and the spawning of businesses from the Corporate Research Center reflect well on the area and the wealth of resources offered by a major academic institution make the Town an attractive venue for business.

The presence of Virginia Tech as a corporate citizen brings many advantages to the economic condition of the Town. The combination of approximately 25,000 students and 6,000 faculty and administrators bring significant buying power to the merchants and tax base of the Town. The presence of Virginia Tech offers the stability essential to a local government.

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers active in the production of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The retail sector in the Town has experienced change during the past few years. With the continued development of a regional shopping area just to the south of the corporate limits attracting national franchise outlets, the Town has been challenged with developing specialty niches that the Blacksburg community will support. Of course, the college population supports retail and restaurant activity geared toward the student sector; and the recent addition of ethnic-oriented grocery stores and restaurants targets the diverse population common to a University community. Along with the development of "niches" for targeted populations, the Town also actively pursues special events that will bring visitors and associated revenue to the Town.

## **Major Initiatives**

### **For the Year Ended June 30, 2005:**

The common thread throughout the FY 2004-2005 budget was to continue to concentrate on our commitment to outstanding service delivery and progressiveness in local government. To demonstrate the Mission and Values of the Town, and to focus our financial resources to emphasize Blacksburg as “The Most Exciting Town in Virginia”.

Recognizing the importance of the Town’s infrastructure, FY 2005 capital improvement expenditures focused on infrastructure maintenance projects and equipment replacement. Capital improvement expenditures were \$3,083,126 in FY 2005.

### **For the Future:**

The FY 2006 budget demonstrates the Town’s commitment to outstanding service delivery and progressiveness on local government. Revenue projections in FY 2006 reflected the current slow economic environment with reliance upon annual revenue to finance operating expenditures and included some increases to user fees and a two cent increase to the real estate tax rate. Specific projects for FY 2005/2006 are:

- ❖ Positions funded by CDBG funds in the FY 2004-05 Budget were returned to the General Fund.
- ❖ Capital projects for FY 2005/2006 include a Skate Park; street improvements; traffic signal replacements and upgrades; equipment replacement; continued technology upgrades such as the website update and fiber expansion; water tank replacement and major sewer system improvements; transit bus expansion and replacements.
- ❖ A Townwide Utility Committee has been appointed to review and make recommendations regarding all Town utility services.
- ❖ Hotel Taxes are increasing by 1% with the proceeds dedicated to the Montgomery Chamber of Commerce to fund local tourism promotion efforts.

The future of the Town is both exciting and challenging. Major initiatives ranging from the impact of the Technology Plan to the continued development and responsiveness of the Town to its customers will continue to position our community well in the new century.

## **Financial Information**

The Town of Blacksburg manages its financial affairs using the budgetary basis of accounting and maintains its accounting records on a modified accrual basis as required by accounting principles generally accepted in the United States of America. The modified accrual basis of accounting recognizes revenues when they become both measurable and available. Expenditures are recorded when a fund liability is incurred, except for interest on long-term debt and compensated absences payable. Governmental fund types, such as the Town’s General Fund and Capital Projects Funds, are reported in the financial statements on the modified accrual basis. The Town’s enterprise funds are reported on the full accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred.

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgments by management.



## **Financial Information (Continued)**

In addition, the Town maintains budgetary controls. These controls ensure compliance with legal provisions embodied in the annual appropriated budget approved by Town Council. Activities of the General Fund, Capital Projects Funds, and Enterprise Funds are included in the annual appropriated budget. The level of budgetary control (e.g., the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated in the subsequent year.

As demonstrated by the financial statements and supplemental schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

## **Risk Management**

The Town utilizes a variety of techniques to identify and monitor its risks and exposures for the activities of the Town. The Town is insured for exposure related to property, boiler and machinery, flood, accident, automobile and general liability. In addition to this, the Town is also insured for Public Officials and Law Enforcement Liability. Workers' Compensation is covered by insurance through the Virginia Municipal Group Self-Insurance Association.

As part of its overall risk management program, the Town has an ongoing safety program initiated to help prevent losses and to better identify those areas that need attention.

## **Other Information**

*Independent Audit* Virginia Law and the Charter of the Town of Blacksburg require that the financial statements of the Town be audited by a Certified Public Accountant. Brown, Edwards, & Company, L.L.P., has performed an annual audit of the Comprehensive Annual Financial Report. The auditor's report is included in the Financial Section of this report. The auditors' reports as required as part of a single audit are found in the Compliance Section of this report.

*Certificate of Achievement* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Other Information (Continued)**

Distinguished Budget Presentation Award GFOA has also awarded the Town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2004. This is the thirteenth consecutive year that the Town has achieved this honor. In order to be awarded the award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

Acknowledgements The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Financial Services Department staff and other personnel from various departments, who assisted in the preparation. The Mayor and Town Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens. We appreciate your support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Brown, Edwards & Company, L.L.P., for their cooperation and assistance in these efforts.

Respectfully submitted,

## Certificate

**TOWN OF BLACKSBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2005**

**MEMBERS OF TOWN COUNCIL**

Roger E. Hedgepeth .....Mayor  
Ron Rordam .....Vice-Mayor  
Don Langrehr  
Alvah T. Leighton, Jr.  
Joyce Lewis  
Paul Lancaster  
Thomas M. Sherman

**GENERAL TOWN GOVERNMENT**

Marc Verniel ..... Town Manager  
Lawrence S. Spencer ..... Town Attorney  
Donna Boone-Caldwell, C.M.C. .... Town Clerk  
Susan Kaiser .....Director of Financial Services  
Adele P. Schirmer, P.E. .... Director of Planning and Engineering  
William H. Brown ..... Chief of Police  
S. Kelly Mattingly ..... Director of Public Works  
Dean Crane ..... Director of Parks and Recreation  
Rebecca Martin ..... Director of Transit  
Steven Jones ..... Director of Technology

## Organizational Chart

---

---

**THIS PAGE INTENTIONALLY BLANK**

## FINANCIAL SECTION

---

## INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council  
Town of Blacksburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Blacksburg, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information on pages 3 through 3h and on page 35, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

---

— Providing Professional Business Advisory & Consulting Services —



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining non-major fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 22, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Blacksburg, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iv of this report.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$31,913,680 (net assets). Of this amount, \$19,506,523 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,076,796. This increase is primarily attributable to the receipt of capital grant proceeds related to the Community Development Block Grant, as well as increases in other Town fees and taxes such as engineering inspection fees, decal fees, and property tax rates.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,232,025, an increase of \$856,599 in comparison with the prior year. This increase is due to the issuance of \$2,000,000 in general obligation bonds of which \$1,000,000 is to be spent in the next fiscal year for capital projects. Approximately three-fourths of this total amount, \$11,438,430 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,354,483, or 33.8 percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include legislative, executive, legal, judicial, financial services, technology, police, fire and rescue, public works, recreation and planning and engineering. The business-type activities of the Town are Water and Sewer, Transit System, Waste Management, and Golf Course.

## Overview of the Financial Statements (Continued)

**Fund financial statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general capital projects fund, equipment replacement fund, and debt service fund, which are considered to be major funds. There are no non-major governmental funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds** – The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer, Transit System, Waste Management and Golf Course operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its equipment operations fund which accounts for the garage function. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

*Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Transit System departments, both of which are considered to be major funds. Data from the other two proprietary funds are combined into a single, aggregated presentation.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## Overview of the Financial Statements (Continued)

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's funding progress for the defined benefit pension plan.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$31,913,680 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (38.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	The Town's Net Assets					
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 13,963,576	\$ 13,227,193	\$ 10,454,878	\$ 9,131,358	\$ 24,418,454	\$ 22,358,551
Capital assets	18,340,561	16,794,617	15,268,214	15,194,230	33,608,775	31,988,847
Total assets	32,304,137	30,021,810	25,723,092	24,325,588	58,027,229	54,347,398
Long-term liabilities outstanding	16,112,228	14,842,106	6,301,381	4,983,899	22,413,609	19,826,005
Other liabilities	1,940,258	2,086,829	1,759,682	1,597,680	3,699,940	3,684,509
Total liabilities	18,052,486	16,928,935	8,061,063	6,581,579	26,113,549	23,510,514
Net assets						
Invested in capital assets, net of related debt	3,185,685	6,283,541	9,167,488	11,075,041	12,353,173	17,358,582
Restricted	12,934	106,431	41,050	-	53,984	106,431
Unrestricted	11,053,032	6,702,903	8,453,491	6,668,968	19,506,523	13,371,871
Total net assets	<u>\$ 14,251,651</u>	<u>\$ 13,092,875</u>	<u>\$ 17,662,029</u>	<u>\$ 17,744,009</u>	<u>\$ 31,913,680</u>	<u>\$ 30,836,884</u>

The balance of *unrestricted net assets* \$19,506,523 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental activities** – Governmental activities increased the Town's net assets by \$1,158,776, thereby accounting for the growth in the net assets of the Town. Key elements of this increase are as follows: Increase in revenue related to the Community Development Block Grant as well as increases in other Town fees such as engineering fees, inspection fees, decal fees, and property tax rates.

## Government-wide Financial Analysis (Continued)

**Business-type activities** – Business-type activities decreased the Town's net assets by \$(81,980), accounting for the decrease in the government's net assets. The key elements of this decrease are as follows: The losses in the non-major golf course fund of \$157,654. This fund's cost and revenue structure is being reviewed to achieve a break even status in the future.

	The Town's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$ 3,019,743	\$ 2,887,084	\$ 10,499,773	\$ 9,631,360	\$ 13,519,516	\$ 12,518,444
Operating grants and contributions	3,327,385	3,256,311	1,820,227	1,849,613	5,147,612	5,105,924
Capital grants and contributions	692,443	135,000	214,099	154,418	906,542	289,418
General revenues						
Property taxes	3,483,165	3,246,360	-	-	3,483,165	3,246,360
Other taxes	7,647,506	6,065,331	-	-	7,647,506	6,065,331
Other	1,842,142	2,563,234	459,288	142,586	2,301,430	2,705,820
Total revenues	<u>20,012,384</u>	<u>18,153,320</u>	<u>12,993,387</u>	<u>11,777,977</u>	<u>33,005,771</u>	<u>29,931,297</u>
Expenses						
Legislative	203,616	158,979	-	-	203,616	158,979
Executive	1,449,293	1,188,782	-	-	1,449,293	1,188,782
Legal	187,682	166,810	-	-	187,682	166,810
Judicial	12,488	16,217	-	-	12,488	16,217
Financial services	1,182,912	1,164,676	-	-	1,182,912	1,164,676
Technology	366,520	363,291	-	-	366,520	363,291
Police	4,938,481	4,608,201	-	-	4,938,481	4,608,201
Fire and rescue	771,482	794,408	-	-	771,482	794,408
Public works	5,082,009	4,734,220	-	-	5,082,009	4,734,220
Recreation	1,507,758	1,417,673	-	-	1,507,758	1,417,673
Planning and engineering	1,293,573	1,459,307	-	-	1,293,573	1,459,307
Community Development						
Block Grant	458,943	-	-	-	458,943	-
Grants	11,018	12,473	-	-	11,018	12,473
Capital outlay	562,878	902,942	-	-	562,878	902,942
Interest on long-term debt	636,484	612,752	-	-	636,484	612,752
Unallocated depreciation	199,076	66,544	-	-	199,076	66,544
Water and sewer	-	-	7,203,248	7,203,312	7,203,248	7,203,312
Transit system	-	-	4,338,079	4,078,502	4,338,079	4,078,502
Waste management	-	-	1,151,220	1,071,268	1,151,220	1,071,268
Golf course	-	-	372,215	345,656	372,215	345,656
Loss on abandonment of Toms Creek Project	-	-	-	566,476	-	566,476
Total expenses	<u>18,864,213</u>	<u>17,667,275</u>	<u>13,064,762</u>	<u>13,265,214</u>	<u>31,928,975</u>	<u>30,932,489</u>
Excess (deficiency) before transfers	1,148,171	486,045	(71,375)	(1,487,237)	1,076,796	(1,001,192)
Transfers	10,605	111,005	(10,605)	(111,005)	-	-
Change in net assets	1,158,776	597,050	(81,980)	(1,598,242)	1,076,796	(1,001,192)
Net assets – Beginning	13,092,875	12,495,825	17,744,009	19,342,251	30,836,884	31,838,076
Net assets – Ending	<u>\$ 14,251,651</u>	<u>\$ 13,092,875</u>	<u>\$ 17,662,029</u>	<u>\$ 17,744,009</u>	<u>\$ 31,913,680</u>	<u>\$ 30,836,884</u>

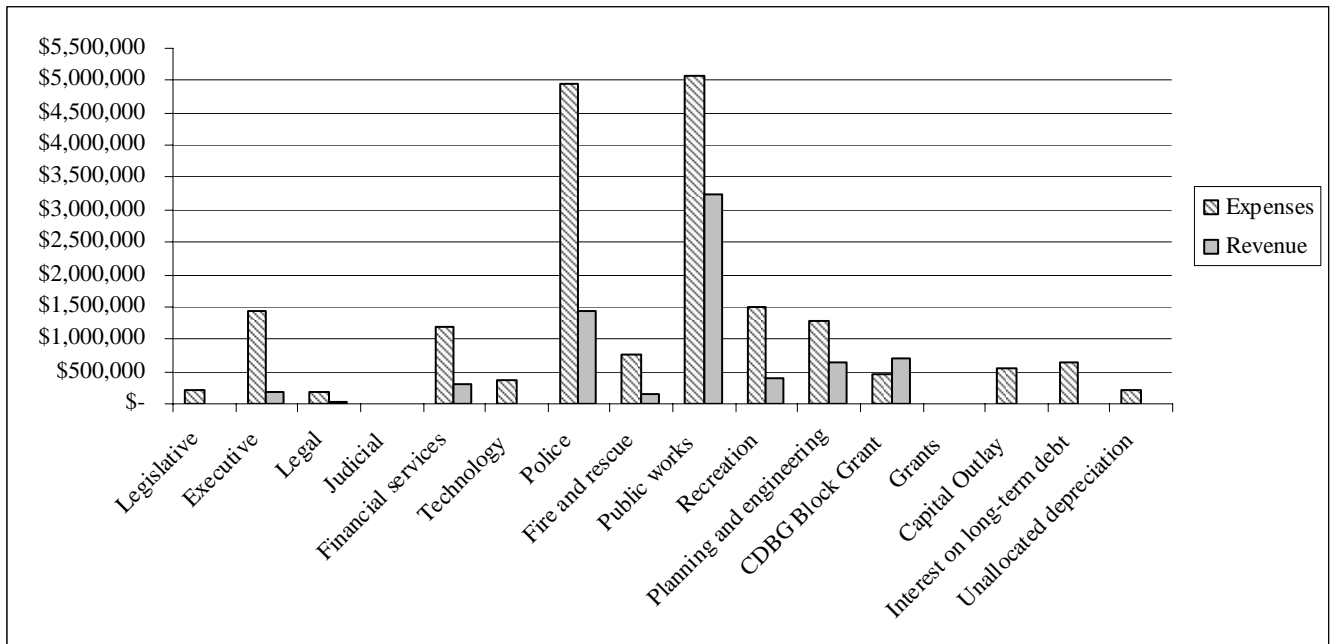
## Government-wide Financial Analysis (Continued)

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Three noteworthy exceptions were in Executive line item that increased \$260,511 mainly due to a full year of expenditures for the new housing division that ad misters the CDBG Entitlement funds; the capital outlay line item decreased \$340,064 mainly due to expenses in the prior fiscal year related to the energy performance lease that did not reoccur in this fiscal year; and a \$132,532 increase in unallocated depreciation mainly due to a full year depreciation on several infrastructure projects and the parking garage completed early in this fiscal year.

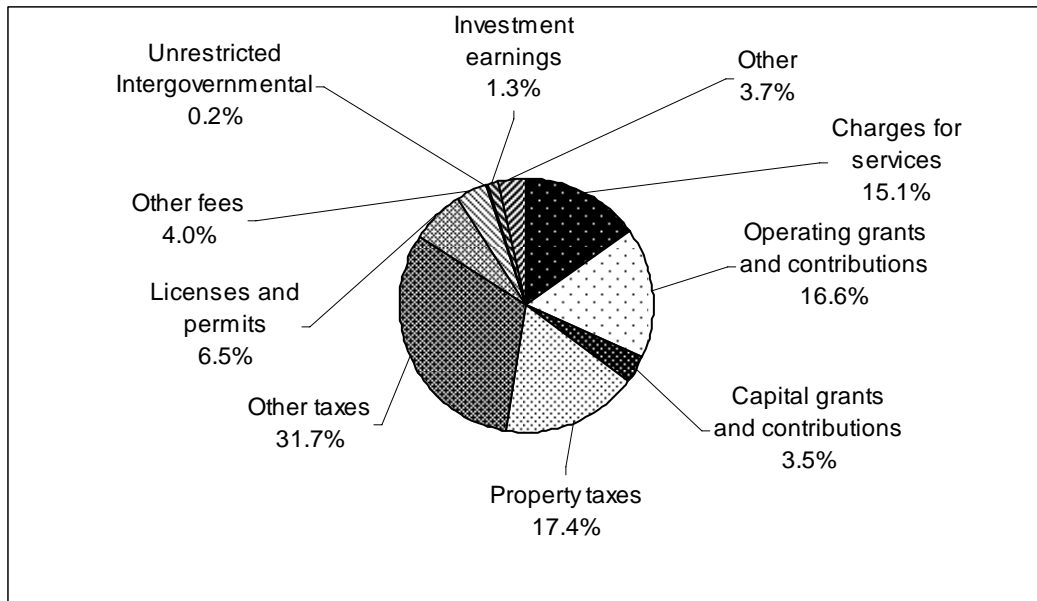
- The receipt of CDBG Block Grant revenue of \$315,034 and associated expenditures of \$458,943.
- The receipt of CDBG entitlement revenues of \$377,409. The remainder of the \$774,000 2004 Action Plan funds were carried over to the 2005 Action Plan.
- Increase in unrestricted investment earnings of \$51,356 and an unrealized gain of \$16,076 vs. an unrealized loss of \$134,743 in the prior year due to the increasing interest rate environment.

For business type activities, the expenses for the golf course fund were higher than the revenue those funds can generate. Other increases were related to normal rate increases in water and sewer fund.

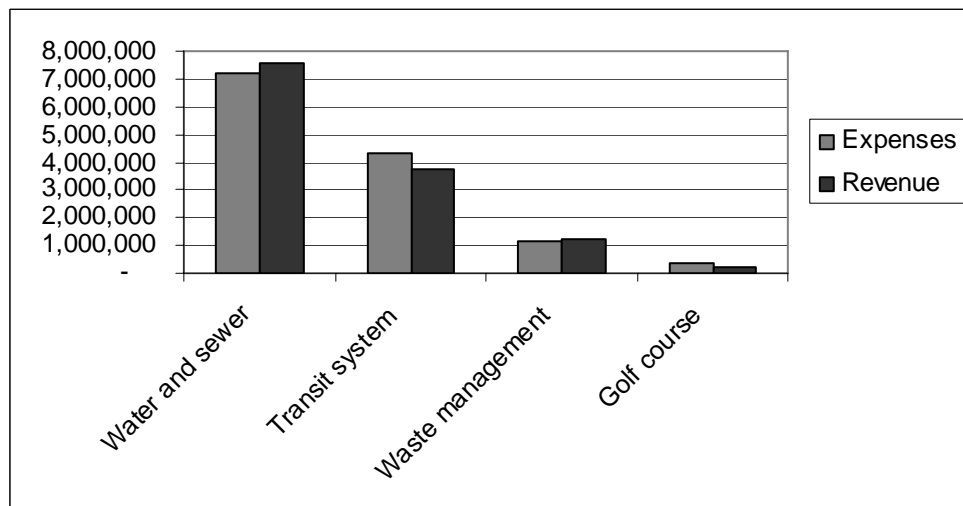
## Expenses and Program Revenues – Governmental Activities



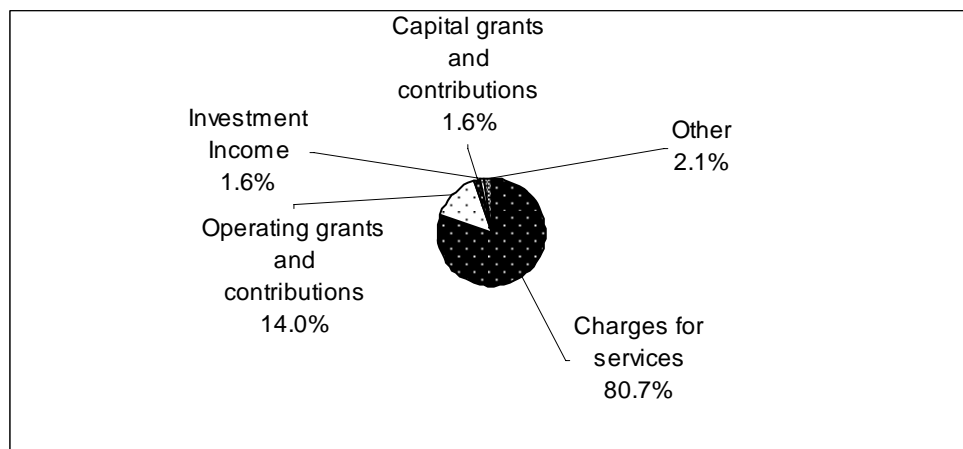
### Revenues by Source – Governmental Activities



### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,232,025, an increase of \$856,599 in comparison with the prior year. Approximately 43.8% of this total amount \$5,354,483 constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved/designated* to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$596,199, (2) to pay for capital projects \$6,083,947, or (3) for a variety of other restricted purposes \$197,396.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was 5,354,483, while total fund balance reached \$5,785,521. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33.8 percent of total general fund expenditures, while total fund balance represents 36.5 percent of that same amount.

The fund balance of the Town's general fund increased by \$1,169,678 during the current fiscal year. Key factors in this change are as follows:

- The issuance of \$2,000,000 bond proceeds in which \$1,000,000 was for this fiscal year's capital projects.

The general capital projects fund decreased by \$280,111. Key factors in this change are as follows:

- The Completion of several projects during the year that were funded by prior year bonds.

The equipment replacement capital projects fund decreased by \$32,968.

The debt service fund did not increase as transfers from the general fund equal expenditures.

**Proprietary funds** – The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer department at the end of the year amounted to \$6,812,895 and those for the Transit system amounted to \$2,283,515. The total decrease in net assets was \$81,980. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$628,265. The increase in appropriations can be briefly summarized as follows:

- \$170,187 in various departments for the reappropriation of prior year encumbrances.
- \$388,643 for appropriation of the prior year unspent CDBG Block Grant award.
- \$69,435 transfer from transfers out line item to capital outlay line items.



## General Fund Budgetary Highlights (Continued)

There were multiple significant variances between the final budget and the actual final results for the year. They can be briefly summarized as follow:

- Receipt of grant revenues not previously budgeted and a delay in expenditures of the CDBG Block Grant and Entitlement revenues carried over to the next fiscal year by budget amendment.
- The change in reserve for doubtful accounts that is not budgeted since it is a non-cash item.

## Capital Asset and Debt Administration

**Capital assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$33,608,775 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways and bridges. The total increase in the Town’s investment in capital assets for the current fiscal year was 5.1 percent (a 9.2 percent increase for governmental activities and a 0.5 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction in progress of a water storage tank and a replacement of a water storage tank.
- Several infrastructure projects such as Clay Street Extension and Downtown Streetscape Improvements.
- Completion of the parking garage with a final payment of \$900,000.
- Construction in progress of two significant sewer line upgrades.

	The Town’s Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 4,249,618	\$ 4,249,618	\$ 590,261	\$ 590,261	\$ 4,839,879	\$ 4,839,879
Buildings and improvements	6,470,491	4,613,835	2,195,644	2,358,303	8,666,135	6,972,138
Water system – plant	-	-	1,808,520	1,964,718	1,808,520	1,964,718
Sewer system – plant	-	-	2,569,888	2,505,634	2,569,888	2,505,634
Infrastructure	2,604,835	2,028,846	-	-	2,604,835	2,028,846
Machinery and equipment	4,899,646	4,730,677	6,435,260	7,297,304	11,334,906	12,027,981
Construction in progress	115,971	1,171,641	1,668,641	478,010	1,784,612	1,649,651
Total	<u>\$ 18,340,561</u>	<u>\$ 16,794,617</u>	<u>\$ 15,268,214</u>	<u>\$ 15,194,230</u>	<u>\$ 33,608,775</u>	<u>\$ 31,988,847</u>

Additional information on the Town’s capital assets can be found in Note 6 of this report.

**Long-term debt** – At the end of the current fiscal year, the Town had total bonded debt outstanding of \$20,596,115, all of which is backed by the full faith and credit of the government.

	The Town’s Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 14,731,448	\$ 13,360,402	\$ 5,864,667	\$ 4,303,623	\$ 20,596,115	\$ 17,664,025
Capital lease obligations	525,602	556,731	318,848	517,127	844,450	1,073,858
	<u>\$ 15,257,050</u>	<u>\$ 13,917,133</u>	<u>\$ 6,183,515</u>	<u>\$ 4,820,750</u>	<u>\$ 21,440,565</u>	<u>\$ 18,737,883</u>

The Town’s total debt increased by \$2,702,682 (14.4 percent) during the current fiscal year due to the issuance of the 2004 \$3,800,000 general obligation bond of which \$2,000,000 was for governmental funds and \$1,800,000 was for business-type funds. Also a 2005 refund bond of \$1,618,000 was issued to advance refund a \$1,475,000 portion of the 1996 general obligation bond. There was a \$1,010,910 decrease due to normal principal payments.

### **Capital Asset and Debt Administration (Continued)**

The Town maintains an A+ rating from Standard & Poor's and an A1 rating from Moody's for general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County (it is unavailable for the Town) is currently 3.6 percent. This compares to the state's average unemployment rate of 3.8 percent and the national average rate of 5.2 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$5,354,483.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Financial Services, Town of Blacksburg, P.O. Box 90003, Blacksburg, Virginia 24062-9003.

# **BASIC FINANCIAL STATEMENTS**

---

**EXHIBIT 1****TOWN OF BLACKSBURG, VIRGINIA****STATEMENT OF NET ASSETS****June 30, 2005**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 1,812,816	\$ 1,376,837	\$ 3,189,653
Investments (Note 2)	8,108,486	6,341,451	14,449,937
Receivables, net (Note 3)	697,105	852,216	1,549,321
Internal balances (Note 4)	789,006	(789,006)	-
Due from other governmental units (Note 5)	1,243,129	551,755	1,794,884
Inventories	235,753	303,067	538,820
Prepaid items	20,435	-	20,435
Restricted assets:			
Cash and cash equivalents (Note 2)	1,056,846	1,818,558	2,875,404
Capital assets: (Note 6)			
Land and construction in progress	4,365,589	2,258,902	6,624,491
Other capital assets, net	13,974,972	13,009,312	26,984,284
Total assets	32,304,137	25,723,092	58,027,229
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	448,197	1,400,806	1,849,003
Accrued payroll and related liabilities	376,207	84,965	461,172
Accrued interest payable	204,413	86,670	291,083
Unearned revenue (Note 3)	91,627	-	91,627
Public improvement bond deposits	782,662	-	782,662
Other deposits	37,152	187,241	224,393
Long-term liabilities:			
Due within one year (Note 7)	933,088	643,451	1,576,539
Due in more than one year (Note 7)	15,179,140	5,657,930	20,837,070
Total liabilities	18,052,486	8,061,063	26,113,549
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,185,685	9,167,488	12,353,173
Restricted	12,934	41,050	53,984
Unrestricted	11,053,032	8,453,491	19,506,523
Total net assets	\$ 14,251,651	\$ 17,662,029	\$ 31,913,680

## EXHIBIT 2

## TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative	\$ 203,616	\$ -	\$ -	\$ -	\$ (203,616)	\$ -	\$ (203,616)
Executive	1,449,293	181,394	-	-	(1,267,899)	-	(1,267,899)
Legal	187,682	17,356	-	-	(170,326)	-	(170,326)
Judicial	12,488	-	-	-	(12,488)	-	(12,488)
Financial services	1,182,912	313,580	-	-	(869,332)	-	(869,332)
Technology	366,520	-	-	-	(366,520)	-	(366,520)
Police	4,938,481	351,197	1,079,040	-	(3,508,244)	-	(3,508,244)
Fire and rescue	771,482	143,928	-	-	(627,554)	-	(627,554)
Public works	5,082,009	989,677	2,243,472	-	(1,848,860)	-	(1,848,860)
Recreation	1,507,758	390,229	-	-	(1,117,529)	-	(1,117,529)
Planning and engineering	1,293,573	628,617	-	-	(664,956)	-	(664,956)
Community Development Block Grant	458,943	-	-	692,443	233,500	-	233,500
Grants	11,018	-	4,873	-	(6,145)	-	(6,145)
Capital outlay	562,878	3,765	-	-	(559,113)	-	(559,113)
Interest on long-term debt	636,484	-	-	-	(636,484)	-	(636,484)
Unallocated depreciation	199,076	-	-	-	(199,076)	-	(199,076)
Total governmental activities	18,864,213	3,019,743	3,327,385	692,443	(11,824,642)	-	(11,824,642)
Business-type activities:							
Water and sewer	7,203,248	7,176,190	-	-	-	(27,058)	(27,058)
Transit system	4,338,079	1,865,884	1,820,227	214,099	-	(437,869)	(437,869)
Waste management	1,151,220	1,243,252	-	-	-	92,032	92,032
Golf course	372,215	214,447	-	-	-	(157,768)	(157,768)
Total business-type activities	13,064,762	10,499,773	1,820,227	214,099	-	(530,663)	(530,663)
Total	\$ 31,928,975	\$ 13,519,516	\$ 5,147,612	\$ 906,542	(11,824,642)	(530,663)	(12,355,305)
General revenues:							
Property taxes					3,483,165	-	3,483,165
Other local taxes					6,343,493	-	6,343,493
Business license taxes					1,304,013	-	1,304,013
Other general fees					795,133	-	795,133
Intergovernmental revenue-unrestricted					47,775	-	47,775
Unrestricted investment earnings					243,383	203,592	446,975
Unrealized gain (loss) on investments					16,076	(1,059)	15,017
Other					739,775	256,755	996,530
Transfers (Note 4)					10,605	(10,605)	-
Total general revenues and transfers					12,983,418	448,683	13,432,101
Change in net assets					1,158,776	(81,980)	1,076,796
Net assets at July 1					13,092,875	17,744,009	30,836,884
Net assets at June 30					\$ 14,251,651	\$ 17,662,029	\$ 31,913,680

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF BLACKSBURG, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2005**

		Capital Projects			Total
		General Capital	Equipment	Debt	Governmental
	General	Projects	Replacement	Service	Funds
ASSETS					
Cash and cash equivalents	\$ 755,259	\$ 562,770	\$ 444,844	\$ -	\$ 1,762,873
Cash and cash equivalents, restricted	12,934	1,043,912	-	-	1,056,846
Investments	3,855,434	1,986,542	2,266,510	-	8,108,486
Receivables, net	653,413	33,192	10,500	-	697,105
Due from other funds	1,161,334	-	283,761	-	1,445,095
Due from other governmental units	1,243,129	-	-	-	1,243,129
Inventories	129,027	-	-	-	129,027
Prepaid items	20,435	-	-	-	20,435
Total assets	<u>\$ 7,830,965</u>	<u>\$ 3,626,416</u>	<u>\$ 3,005,615</u>	<u>\$ -</u>	<u>\$ 14,462,996</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 278,929	\$ 116,825	\$ 33,702	\$ -	\$ 429,456
Accrued payroll and related liabilities	368,725	-	-	-	368,725
Public improvement bond deposits	782,662	-	-	-	782,662
Other deposits	37,152	-	-	-	37,152
Due to other funds	283,761	-	-	-	283,761
Deferred revenue	268,415	35,000	-	-	303,415
Compensated absences	25,800	-	-	-	25,800
Total liabilities	<u>2,045,444</u>	<u>151,825</u>	<u>33,702</u>	<u>-</u>	<u>2,230,971</u>
Fund Balances:					
Reserved for:					
Inventories	129,027	-	-	-	129,027
Museum lifetime memberships	12,934	-	-	-	12,934
Prepaid items	20,435	-	-	-	20,435
Fire safety building	-	35,000	-	-	35,000
Encumbrances	268,642	299,731	27,826	-	596,199
Unreserved, reported in:					
Capital projects, designated	-	3,139,860	2,944,087	-	6,083,947
General fund, undesignated	<u>5,354,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,354,483</u>
Total fund balances	<u>5,785,521</u>	<u>3,474,591</u>	<u>2,971,913</u>	<u>-</u>	<u>12,232,025</u>
Total liabilities and fund balances	<u>\$ 7,830,965</u>	<u>\$ 3,626,416</u>	<u>\$ 3,005,615</u>	<u>\$ -</u>	

**Amounts reported for governmental activities in the statement of****net assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,236,555
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	211,788
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(16,257,170)
The internal service fund is used by management to charge the costs of the central garage. Its assets and liabilities are included in the governmental activities' statements of net assets.	(171,547)
Net assets of governmental activities	<u>\$ 14,251,651</u>

## TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2005**

		<b>Capital Projects</b>			
	<b>General</b>	<b>General Capital</b>	<b>Equipment</b>	<b>Debt</b>	<b>Total</b>
		<b>Projects</b>	<b>Replacement</b>	<b>Service</b>	<b>Governmental</b>
					<b>Funds</b>
<b>REVENUES</b>					
General property taxes	\$ 3,471,097	\$ -	\$ -	\$ -	\$ 3,471,097
Other local taxes	6,590,359	-	-	-	6,590,359
Business license taxes	1,304,013	-	-	-	1,304,013
Permits and fees	795,133	3,332	-	-	798,465
Intergovernmental	4,067,603	33,091	-	-	4,100,694
Charges for services	1,790,953	-	-	-	1,790,953
Fines and forfeitures	316,765	-	-	-	316,765
Investment earnings	173,711	-	85,748	-	259,459
Other	560,243	7,280	-	-	567,523
Total revenues	19,069,877	43,703	85,748	-	19,199,328
<b>EXPENDITURES</b>					
Current:					
Legislative	203,903	-	-	-	203,903
Executive	1,439,919	-	-	-	1,439,919
Legal	189,283	-	-	-	189,283
Judicial	11,726	-	-	-	11,726
Financial services	1,154,763	-	-	-	1,154,763
Technology	354,642	-	-	-	354,642
Police	4,729,668	-	-	-	4,729,668
Fire and rescue	558,184	-	-	-	558,184
Public works	4,039,892	-	-	-	4,039,892
Recreation	1,324,166	-	-	-	1,324,166
Planning and engineering	1,273,355	-	-	-	1,273,355
Community Development Block Grant	550,703	-	-	-	550,703
Grants	11,018	-	-	-	11,018
Capital outlays	-	2,553,295	529,831	-	3,083,126
Debt service:					
Principal retirement	-	-	-	683,070	683,070
Interest and fiscal charges	-	-	-	695,423	695,423
Total expenditures	15,841,222	2,553,295	529,831	1,378,493	20,302,841
Excess (deficiency) of revenues over expenditures	3,228,655	(2,509,592)	(444,083)	(1,378,493)	(1,103,513)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from debt issues	1,000,000	1,000,000	-	-	2,000,000
Payments to escrow agent	-	-	-	(1,190,513)	(1,190,513)
Issuance of refunding bonds	1,213,500	-	-	-	1,213,500
Transfers in	-	1,229,481	622,472	2,569,006	4,420,959
Transfers out	(4,272,477)	-	(211,357)	-	(4,483,834)
Total other financing sources and uses	(2,058,977)	2,229,481	411,115	1,378,493	1,960,112
Net change in fund balance	1,169,678	(280,111)	(32,968)	-	856,599
<b>FUND BALANCES AT JULY 1</b>	4,615,843	3,754,702	3,004,881	-	
<b>FUND BALANCES AT JUNE 30</b>	\$ 5,785,521	\$ 3,474,591	\$ 2,971,913	\$ -	

**Adjustments for the statement of activities:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation in the current period. 1,531,517

The net effect of various transactions involving capital assets is to decrease net assets. (49,277)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (4,401)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items. (1,263,922)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (23,289)

The internal service fund is used by management to change the costs of the central garage. The change in net assets of internal service funds is reported with governmental activities. 111,549

**Change in net assets of governmental activities** \$ 1,158,776

**EXHIBIT 5****TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 3,203,800	\$ 3,203,800	\$ 3,471,097	\$ 267,297
Other local taxes	6,485,800	6,485,800	6,590,359	104,559
Business license taxes	1,210,900	1,210,900	1,304,013	93,113
Permits and fees	889,000	889,000	795,133	(93,867)
Intergovernmental	5,174,700	5,563,343	4,067,603	(1,495,740)
Charges for services	1,766,500	1,766,500	1,790,953	24,453
Fines and forfeitures	308,900	308,900	316,765	7,865
Investment earnings	94,000	94,000	173,711	79,711
Other	513,800	513,800	560,243	46,443
Total revenues	19,647,400	20,036,043	19,069,877	(966,166)
<b>EXPENDITURES</b>				
Current:				
Legislative	161,188	221,802	221,803	(1)
Executive	2,036,261	1,641,616	1,453,193	188,423
Legal	192,182	192,182	189,283	2,899
Judicial	11,547	11,726	11,726	-
Financial services	1,118,990	1,173,628	1,174,731	(1,103)
Technology	333,523	354,660	354,659	1
Police	4,925,816	4,862,836	4,731,126	131,710
Fire and rescue	594,723	604,895	604,894	1
Public works	3,846,437	4,109,300	4,094,976	14,324
Recreation	1,365,862	1,434,601	1,367,383	67,218
Planning and engineering	1,331,311	1,375,887	1,300,347	75,540
Community Development Block Grant	350,000	912,972	594,725	318,247
Grants	5,450	5,450	11,018	(5,568)
Total expenditures	16,273,290	16,901,555	16,109,864	791,691
Excess of revenues over expenditures	3,374,110	3,134,488	2,960,013	(174,475)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(4,374,110)	(5,922,675)	(4,272,477)	1,650,198
Bond proceeds	1,000,000	2,618,000	2,213,500	(404,500)
Total other financing sources and uses	(3,374,110)	(3,304,675)	(2,058,977)	1,245,698
Net change in fund balances	\$ -	\$ (170,187)	\$ 901,036	\$ 1,071,223



## TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET ASSETS (DEFICIT)  
PROPRIETARY FUNDS

June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water and Sewer	Transit System	Nonmajor Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 978,537	\$ 272,033	\$ 126,267	\$ 1,376,837	\$ 49,943
Cash and investments, restricted	1,818,558	-	-	1,818,558	-
Investments	4,955,716	1,385,735	-	6,341,451	-
Receivables, net	673,478	51,777	126,961	852,216	-
Due from other governmental units	-	551,755	-	551,755	-
Inventories	-	296,890	6,177	303,067	106,726
Total current assets	8,426,289	2,558,190	259,405	11,243,884	156,669
Noncurrent assets:					
Land and construction in progress	1,401,520	480,435	376,947	2,258,902	-
Other capital assets, net	6,074,175	6,421,857	513,280	13,009,312	104,006
Total noncurrent assets	7,475,695	6,902,292	890,227	15,268,214	104,006
Total assets	15,901,984	9,460,482	1,149,632	26,512,098	260,675
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,188,708	121,803	90,295	1,400,806	18,741
Accrued payroll and related liabilities	26,712	49,102	9,151	84,965	7,482
Accrued interest payable	80,400	-	6,270	86,670	-
Customer deposits	187,241	-	-	187,241	-
Due to other funds	-	-	789,006	789,006	372,328
Compensated absences	34,843	39,821	7,602	82,266	8,296
Bonds and leases payable	534,462	-	26,723	561,185	-
Total current liabilities	2,052,366	210,726	929,047	3,192,139	406,847
Noncurrent liabilities:					
Compensated absences	95,490	22,899	-	118,389	25,375
Bonds and leases payable	5,140,518	-	399,023	5,539,541	-
Total noncurrent liabilities	5,236,008	22,899	399,023	5,657,930	25,375
Total liabilities	7,288,374	233,625	1,328,070	8,850,069	432,222
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	1,800,715	6,902,292	464,481	9,167,488	104,006
Restricted	-	41,050	-	41,050	-
Unrestricted	6,812,895	2,283,515	(642,919)	8,453,491	(275,553)
Total net assets (deficit)	\$ 8,613,610	\$ 9,226,857	\$ (178,438)	\$ 17,662,029	\$ (171,547)

**TOWN OF BLACKSBURG, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS (DEFICIT)**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Water and Sewer</b>	<b>Transit System</b>	<b>Nonmajor Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 6,235,807	\$ 1,848,734	\$ 1,457,699	\$ 9,542,240	\$ 817,457
Availability and transfer fees	745,819	-	-	745,819	-
Meter installation	130,496	-	-	130,496	-
Connection fees	64,068	-	-	64,068	-
Intergovernmental	-	1,820,227	-	1,820,227	-
Other	230,684	4,083	9,502	244,269	-
Total operating revenues	7,406,874	3,673,044	1,467,201	12,547,119	817,457
<b>OPERATING EXPENSES</b>					
Personal services	1,126,810	2,111,370	285,925	3,524,105	274,991
Contractual services	3,768,543	235,814	997,243	5,001,600	91,664
Administration	700,500	233,000	73,818	1,007,318	-
Depreciation	550,134	1,077,411	67,190	1,694,735	9,776
Other	825,728	680,484	79,089	1,585,301	402,957
Total operating expenses	6,971,715	4,338,079	1,503,265	12,813,059	779,388
Operating income (loss)	435,159	(665,035)	(36,064)	(265,940)	38,069
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain on disposal of capital assets	12,486	17,150	-	29,636	-
Interest income	160,915	42,677	-	203,592	-
Interest expense	(231,533)	-	(20,170)	(251,703)	-
Unrealized loss in investment	(987)	(72)	-	(1,059)	-
Net nonoperating revenue (expenses)	(59,119)	59,755	(20,170)	(19,534)	-
Income (loss) before contributions and transfers	376,040	(605,280)	(56,234)	(285,474)	38,069
<b>CAPITAL CONTRIBUTIONS</b>	-	214,099	-	214,099	-
<b>TRANSFERS IN</b>	118,964	-	18,913	137,877	73,480
<b>TRANSFERS OUT</b>	(112,498)	-	(35,984)	(148,482)	-
Change in net assets	382,506	(391,181)	(73,305)	(81,980)	111,549
<b>NET ASSETS (DEFICIT) AT JULY 1</b>	8,231,104	9,618,038	(105,133)	17,744,009	(283,096)
<b>NET ASSETS (DEFICIT) AT JUNE 30</b>	\$ 8,613,610	\$ 9,226,857	\$ (178,438)	\$ 17,662,029	\$ (171,547)

## TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Water and Sewer</b>	<b>Transit System</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 7,191,398	\$ 1,812,515	\$ 1,446,099	\$ 10,450,012	\$ 817,457
Payments to suppliers	(5,383,556)	(1,195,386)	(1,090,691)	(7,669,633)	(493,197)
Payments to employees	(1,151,681)	(2,104,211)	(284,877)	(3,540,769)	(274,317)
Operating assistance grants received	-	1,546,592	-	1,546,592	-
Other receipts	230,684	4,083	9,502	244,269	-
Net cash provided by operating activities	886,845	63,593	80,033	1,030,471	49,943
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(112,498)	-	(35,984)	(148,482)	-
Advances from other funds	-	-	126,473	126,473	-
Net cash provided by (used in) noncapital financing activities	(112,498)	-	90,489	(22,009)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(1,337,311)	(149,336)	-	(1,486,647)	-
Proceeds from sale of capital assets	14,426	17,150	-	31,576	-
Contribution of capital by other governments	-	231,673	-	231,673	-
Proceeds from issuance of capital debt	2,176,412	-	-	2,176,412	-
Principal paid on capital debt	(817,126)	-	(24,610)	(841,736)	-
Interest paid on capital debt	(198,121)	-	(19,645)	(217,766)	-
Net cash provided by (used in) capital and related financing activities	(161,720)	99,487	(44,255)	(106,488)	-
<b>INVESTING ACTIVITIES</b>					
Sale (purchase) of Investments	769,747	(72,799)	-	696,948	-
Interest received	160,915	42,677	-	203,592	-
Net cash provided by investing activities	930,662	(30,122)	-	900,540	-
Net increase in cash and cash equivalents	1,543,289	132,958	126,267	1,802,514	49,943
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning at July 1	1,253,806	139,075	-	1,392,881	-
Ending at June 30	\$ 2,797,095	\$ 272,033	\$ 126,267	\$ 3,195,395	\$ 49,943
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 435,159	\$ (665,035)	\$ (36,064)	\$ (265,940)	\$ 38,069
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	550,134	1,077,411	67,190	1,694,735	9,776
Change in assets and liabilities					
(Increase) decrease in:					
Accounts receivable, net	(95,128)	(36,219)	(11,600)	(142,947)	-
Due from other governments - operating grants	-	(273,635)	-	(273,635)	-
Inventories	-	(60,120)	3,306	(56,814)	(2,464)
(Decrease) increase in:					
Accounts payable and accrued liabilities	(83)	14,032	56,153	70,102	3,888
Accrued payroll and related liabilities	(24,871)	7,159	1,048	(16,664)	674
Deposits	21,634	-	-	21,634	-
Net cash provided by operating activities	\$ 886,845	\$ 63,593	\$ 80,033	\$ 1,030,471	\$ 49,943
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital assets acquired through capital contributions	\$ -	\$ 174,578	\$ -	\$ 174,578	\$ -
Capital assets purchases financed by accounts payable	\$ 110,336	\$ 35,800	\$ -	\$ 146,136	\$ -
Capital assets acquired through transfer from other fund	\$ 118,964	\$ -	\$ 18,913	\$ 137,877	\$ 73,480

## TOWN OF BLACKSBURG, VIRGINIA

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 492,630
Accounts receivable, net	336,648
Due from other governmental units	393,886
Inventory	43,964
Land and construction in progress	1,008,484
Other capital assets, net	87,190
	<hr/>
Total assets	<u><u>\$ 2,362,802</u></u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	\$ 543,328
Due to other governmental units	103,673
Liability to agency	1,715,801
	<hr/>
Total liabilities	<u><u>\$ 2,362,802</u></u>

## **TOWN OF BLACKSBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

#### **Note 1. Summary of Significant Accounting Policies**

##### **A. The Financial Reporting Entity**

The Town of Blacksburg, Virginia (the "Town") was incorporated on March 22, 1871. The Town operates on a Council-Manager form of government and provides municipal services to its residents including fire and police protection, planning, engineering, inspections, public works and public utilities, parks, and general government. The Town also provides water, sewer, refuse collection, recycling, and public transit services to its citizens. The Town is part of a county and has taxing powers subject to state-wide restrictions and limits. The financial statements present the Town as the primary government. A component unit is an entity for which the Town is considered to be financially accountable. The Town does not have any component units.

The following entities are excluded from the accompanying financial statements:

##### Jointly Governed Organizations:

###### *Blacksburg-Christiansburg-VPI Water Authority*

The Blacksburg-Christiansburg-VPI Water Authority was created by a concurrent resolution of the Town and other participating governing bodies. The Authority operates and maintains a water supply system for the Town, Virginia Tech and the Town of Christiansburg. Each governing body appoints one member of the five-member board of directors. Two at-large members are appointed by joint resolution of each of the member localities. All indebtedness is payable solely from the revenues of the water system. Although the Town is one of the Authority's customers, the Town has no obligation for any of its indebtedness. During fiscal year 2005, the Town paid \$1,484,815 to the water authority for purchases of water.

###### *Montgomery Regional Solid Waste Authority*

The Town is a member of the Montgomery Regional Solid Waste Authority, which was created by a joint resolution on December 14, 1994 by the Town of Blacksburg, the Town of Christiansburg, Montgomery County, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one Board member, and all jurisdictions jointly appoint a fifth member. The Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Authority for disposal of waste in the landfill, and processing and marketing of the recyclables. All Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Authority. The remaining life of the landfill is estimated at four years, and the Authority has negotiated with an adjacent Authority for shared use of a new permitted landfill with an anticipated operating life of 30 years. The Town paid \$290,564 in tipping fees during fiscal year 2005.

## TOWN OF BLACKSBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### A. The Financial Reporting Entity (Continued)

###### Jointly Governed Organizations: (Continued)

###### *Blacksburg-VPI Sanitation Authority*

The Blacksburg-VPI Sanitation Authority was created by a concurrent resolution of the Town and Virginia Tech. The Authority operates and maintains a wastewater treatment system for the Town and Virginia Tech. The five-member board of directors consists of one member appointed by each governing body. Three at-large members are appointed by joint resolution. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2005, the Town paid \$2,119,291 to the Authority for purchase of sewer services.

###### *Virginia Tech–Montgomery Regional Airport Authority*

The Virginia Tech-Montgomery Regional Airport Authority (the “Airport Authority”) was created by concurrent resolutions of the governing bodies of the Town of Blacksburg, Town of Christiansburg, Montgomery County and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities. The Airport Authority has no bonded indebtedness. During fiscal year 2005, the Town paid \$50,000 toward the operations of the airport.

###### *Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization*

The Town is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization. The Metropolitan Planning Organization (MPO) is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community’s vision. The Town has three members within this organization, two of which are voting members. During fiscal year 2005, the Town paid \$5,908 toward operations of the MPO.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

## TOWN OF BLACKSBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *general capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The *equipment replacement fund* accounts for financial resources to be used for the acquisition or replacement of major capital items.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer operations.  
The *transit system fund* accounts for the activities of the Town's transit operations.

Additionally, the Town reports the following fund types:

The *internal service fund* accounts for the garage operations and related services provided to other departments or to other governments.  
The *agency funds* are used to account for monies held on behalf of other organizations in purely a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, and solid-waste enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.



**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

The budget for the General Fund is adopted and maintained on the modified accrual basis adjusted for encumbrances. The original budget and budget revisions during the fiscal year are authorized at the departmental level by Town Council. The Town Manager has the authority to transfer amounts within departments, as long as the total appropriation for the department is not adjusted. The Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund reflects these revisions, if any. All appropriations lapse at year end to the extent they have not been expended or lawfully encumbered. An appropriation equal to year end encumbrances is authorized in the succeeding year.

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 901,036
Encumbrances at June 30, 2005	<u>268,642</u>
Net change in fund balance (GAAP basis)	<u>\$ 1,169,678</u>

**E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at the end of the year are reappropriated as part of the subsequent year's budget.

**F. Cash and Cash Equivalents**

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**G. Investments**

Investments are stated at fair value.

**H. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis.

**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Inventories**

Inventories are stated at cost (first-in, first-out) or market for enterprise and internal service funds and at cost for the general fund. Inventories consist of parts and materials held for consumption, which are recorded as an expenditure or expense when used.

**J. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized during the current year was \$0.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Machinery and equipment	3-20 years
Water and sewer systems	30 years
Golf course equipment	5-10 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2007. The Town plans to implement the retroactive infrastructure provisions in the fiscal year ending June 30, 2007.

**K. Deferred Revenues**

Deferred revenue in the General Fund consists primarily of property taxes and other taxes not collected within 45 days of year end and property taxes collected that are not yet due.

**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. Compensated Absences**

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Outstanding vacation time is payable upon termination of employment. Amounts of such absences are accrued when incurred in the government-wide, proprietary, and fiduciary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

**M. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**O. Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 2.     Deposits and Investments**

**Deposits**

All cash of the Town is maintained in accounts covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act 2.2-4400 *et seq.* of the *Code of Virginia*.

**Investments**

**Investment Policy:**

In accordance with the *Code of Virginia* and other applicable law, including regulations, the Town's investment policy (Policy) permits investments in obligations of the Commonwealth of Virginia or political subdivision thereof, U.S. government obligations, U.S. government agency obligations, U.S. instrumentality obligations, obligations of the international Bank for Reconstruction and Development (World Bank), Asian Development Bank, African Development Bank, certificates of deposit, other evidences of deposit at Virginia financial institutions in accordance with the Virginia Security for Public Deposits Act, bankers' acceptances and commercial paper rated in the highest tier by a nationally recognized rating agency, repurchase agreements with Virginia banks, acting as principal or agent, collateralized by U.S. Treasury/Agency securities, and Local Government Investment Pools operated by the Virginia State Treasurer.

To the extent possible, the Policy will match investment with anticipated cash flow requirements. Unless matched to a specific cash flow, the Policy will not allow the Town to directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

**Credit Risk:**

As required by state statute, the Policy requires that banker's acceptances and commercial paper have a short-term debt rating of no less than "A-1" (or it's equivalent) from a nationally recognized rating agency (Moody's Investors Service, Standard & Poor's, or Fitch Investors Service).

**Concentration of Credit Risk:**

The intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, accordingly the Policy places certain limits on the amount the Town may invest in any one issuer.

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 2. Deposits and Investments (Continued)

#### Investments (Continued)

##### Concentration of Credit Risk: (Continued)

As of June 30, 2005, the portions of the Town's portfolio that exceed five percent of the total portfolio are as follows:

Issuer	Percentage of Portfolio
Certificates of deposit	59%
Federal Home Loan Bank	27%

##### Custodial Credit Risk:

The Policy requires that all investments be maintained by financial institutions authorized to provide investment services and security broker/dealers selected by creditworthiness.

##### Interest Rate Risk:

As of June 30, the fair values and weighted average maturity of the Town's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity*
Money Market Funds	\$ 195,379	-
SNAP	62,470	-
LGIP	33,397	-
Certificates of deposit	10,151,832	852
Federal Home Loan Mortgage Corporation	694,478	88
Federal Home Loan Bank	4,666,507	564
Federal National Mortgage Association	1,533,970	179
Total investments	<u>\$ 17,338,033</u>	
Portfolio weighted average maturity		670

\*Weighted average maturity in days

	Fair Value
<b>Investments</b>	\$ 17,338,033
<b>Deposits</b>	<u>3,176,961</u>
<b>Total deposits and investments</b>	<u>\$ 20,514,944</u>

#### **Reconciliation of deposits and investments to Exhibit 1:**

Cash and cash equivalents, cash on hand	\$ 3,189,653
Cash and cash equivalents, restricted	2,875,404
Investments	<u>14,449,937</u>
<b>Total deposits and investments</b>	<u>\$ 20,514,994</u>

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 3. Receivables, Net

Receivables as of year end for the Town's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			Business-Type Activities		
	General	General Capital Projects	Equipment Replacement	Water and Sewer	Transit System	Non-Major Funds
Receivables						
Interest	\$ 34,468	\$ 33,192	\$ -	\$ 31,466	\$ 6,502	\$ -
Taxes	421,283	-	-	-	-	-
Accounts	213,720	-	10,500	653,554	45,275	131,059
Gross receivables	669,471	33,192	10,500	685,020	51,777	131,059
Less: allowance for uncollectibles	(16,058)	-	-	(11,542)	-	(4,098)
Receivables, net	<u>\$ 653,413</u>	<u>\$ 33,192</u>	<u>\$ 10,500</u>	<u>\$ 673,478</u>	<u>\$ 51,777</u>	<u>\$ 126,961</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Included in receivables:			
Delinquent property taxes	\$ 61,427	\$ -	\$ 61,427
Sales tax	93,488	-	93,488
Other	56,873	-	56,873
	<u>211,788</u>	<u>-</u>	<u>211,788</u>
Included in cash:			
Subsequent years' tax collections	-	10,648	10,648
Subsequent years' fee collections	-	80,979	80,979
	<u>-</u>	<u>91,627</u>	<u>91,627</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 211,788</u>	<u>\$ 91,627</u>	<u>\$ 303,415</u>

### Note 4. Interfund Receivables, Payables and Transfers

Amounts due from/to other funds consist of the following at June 30:

Receivable Fund	Payable Fund	Amount
General	Internal Services	\$ 372,328
General	Waste Management	201,486
General	Golf Course	587,520
Equipment Replacement	General	283,761
		<u>\$ 1,445,095</u>

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 4. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers are as follows:

	Transfer In:						Total
	General Capital	Equipment Replacement	Debt Service	Internal Services	Waste Management	Water and Sewer	
Transfers Out:							
General	\$ 1,229,481	\$ 473,990	\$ 2,569,006	\$ -	\$ -	\$ -	\$ 4,272,477
Equipment replacement	-	-	-	73,480	18,913	118,964	211,357
Golf course	-	9,607	-	-	-	-	9,607
Waste management	-	26,377	-	-	-	-	26,377
Water and sewer	-	112,498	-	-	-	-	112,498
Total	<u>\$ 1,229,481</u>	<u>\$ 622,472</u>	<u>\$ 2,569,006</u>	<u>\$ 73,480</u>	<u>\$ 18,913</u>	<u>\$ 118,964</u>	<u>\$ 4,632,316</u>

The primary purposes of the transfers are as follows:

- Transfer general fund resources to fund acquisition or construction of capital projects.
- Transfer funds from the general fund to fund debt service payments.
- Transfer resources from the underlying funds that own the equipment to replace the equipment in the future following a replacement schedule.
- Transfer equipment replacements back to the funds that provided the resources.

### Note 5. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	Governmental Activities	Business-Type Activities
Federal:		
Transit capital assistance grant	\$ -	\$ 65,475
Transit operational assistance grant	-	407,772
Other Federal:		
Transit grants	-	54,970
Commonwealth of Virginia:		
Highway maintenance	560,868	-
Community Development Planning Block Grant	392,059	-
Transit intern grants	-	6,722
Transit AVL grants	-	16,816
Other:		
Sales tax	186,529	-
Other	103,673	-
	<u>\$ 1,243,129</u>	<u>\$ 551,755</u>

(Continued)

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 6. Capital Assets

Capital asset activity for the year ended June 30 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 4,249,618	\$ -	\$ -	\$ 4,249,618
Construction in progress	1,171,641	115,971	(1,171,641)	115,971
Total capital assets, not depreciated	5,421,259	115,971	(1,171,641)	4,365,589
Capital assets, depreciated				
Buildings and improvements	9,224,681	2,165,620	-	11,390,301
Infrastructure	2,062,548	676,675	-	2,739,223
Machinery and equipment	10,267,816	1,020,067	(467,500)	10,820,383
Total capital assets depreciated	21,555,045	3,862,362	(467,500)	24,949,907
Less accumulated depreciation for:				
Buildings and improvements	4,610,846	308,964	-	4,919,810
Infrastructure	33,702	100,686	-	134,388
Machinery and equipment	5,537,139	801,821	(418,223)	5,920,737
Total accumulated depreciation	10,181,687	1,211,471	(418,223)	10,974,935
Total capital assets, depreciated, net	11,373,358	2,650,891	(49,277)	13,974,972
Governmental activities capital assets, net	<u>\$ 16,794,617</u>	<u>\$ 2,766,862</u>	<u>\$ (1,220,918)</u>	<u>\$ 18,340,561</u>
Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 590,261	\$ -	\$ -	\$ 590,261
Construction in progress	478,010	1,190,631	-	1,668,641
Total capital assets, not depreciated	1,068,271	1,190,631	-	2,258,902
Capital assets, depreciated				
Buildings and improvements	4,025,761	-	-	4,025,761
Water system-plant	6,519,499	38,013	-	6,557,512
Sewer system-plant	5,261,001	221,785	-	5,482,786
Machinery and equipment	15,572,799	320,230	(417,494)	15,475,535
Total capital assets, depreciated	31,379,060	580,028	(417,494)	31,541,594
Less accumulated depreciation for:				
Buildings and improvements	1,667,458	162,659	-	1,830,117
Water system-plant	4,554,781	194,211	-	4,748,992
Sewer system-plant	2,755,367	157,531	-	2,912,898
Machinery and equipment	8,275,495	1,180,334	(415,554)	9,040,275
Total accumulated depreciation	17,253,101	1,694,735	(415,554)	18,532,282
Total capital assets, depreciated, net	14,125,959	(1,114,707)	(1,940)	13,009,312
Business-type activities capital assets, net	<u>\$ 15,194,230</u>	<u>\$ 75,924</u>	<u>\$ (1,940)</u>	<u>\$ 15,268,214</u>

(Continued)



**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 6. Capital Assets (Continued)**

The Virginia Department of Transportation has provided grants for certain capital assets in the Transit System, which have a total net value of \$6,895,687 as of June 30, 2005. The Town cannot dispose of these assets without prior approval from the Virginia Department of Transportation.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Executive	\$ 22,504
Judicial	762
Financial services	42,247
Technology	7,137
Police	265,689
Fire and rescue	176,688
Public works	269,356
Recreation	190,152
Planning and engineering	28,084
Unallocated depreciation	199,076
Internal service fund	9,776
	<u>\$ 1,211,471</u>
Business-type activities:	
Water and sewer	\$ 550,134
Transit system	1,077,411
Golf course	65,839
Waste management	1,351
	<u>\$ 1,694,735</u>

**Construction Commitments**

The Town has active construction projects as of June 30, 2005. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
University City Boulevard Sewer Line	\$ 138,077	\$ 303,922
Murphy Sewer Pump Station	138,365	168,706
Donation Street Improvements	764,706	5,294
CDBG Housing Rehabilitation	50,450	6,150
Wang Park Parking Lot	100,360	500
Transit Building Addition	-	3,059,338
	<u>\$ 1,191,958</u>	<u>\$ 3,543,910</u>

**TOWN OF BLACKSBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 7. Long-Term Liabilities**

**Current Year's Defeasance of Debt**

During fiscal year 2005, a portion of the 1996 general obligation bonds totaling \$1,475,000 with interest rates of 5.00% to 7.00%, were advance refunded and replaced with the 2005 general obligation refunding bond totaling \$1,618,000 with an average interest rate of 3.34%. The proceeds were used to purchase U.S. Government Securities totaling \$1,587,350 that were placed in irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,475,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Town's long-term debt. The reacquisition price exceeded the net carrying amount of the old debt by \$112,350. This is netted against the new debt and amortized over the remaining of the refunded debt, which is shorter than the life of the new debt issued. This advance refund was undertaken to reduce total debt service payments over the next 12 years of \$105,000 and resulted in an economic gain of \$91,000.

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 13,360,402	\$ 3,213,500	\$ 1,842,454	\$ 14,731,448	\$ 866,667
Less deferred amounts:					
For deferred costs	(26,179)	(84,262)	(8,267)	(102,174)	-
Total bonds payable	13,334,223	3,129,238	1,834,187	14,629,274	866,667
Capital lease obligations	556,731	-	31,129	525,602	32,325
Compensated absences	951,152	70,928	64,728	957,352	34,096
Governmental activities, long-term liabilities	<u>\$ 14,842,106</u>	<u>\$ 3,200,166</u>	<u>\$ 1,930,044</u>	<u>\$ 16,112,228</u>	<u>\$ 933,088</u>

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 7. Long-Term Liabilities (Continued)

#### General Obligation Bonds (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 4,303,623	\$ 2,204,500	\$ 643,456	\$ 5,864,667	\$ 351,585
Less deferred amounts:					
For issuance discounts	(3,258)	-	(397)	(2,861)	-
For deferred costs	(62,137)	(28,088)	(10,297)	(79,928)	-
Total bonds payable	4,238,228	2,176,412	632,762	5,781,878	351,585
Capital lease obligations	517,128	-	198,280	318,848	209,600
Compensated absences	228,543	10,116	38,004	200,655	82,266
Business-type activities long-term liabilities	<u>\$ 4,983,899</u>	<u>\$ 2,186,528</u>	<u>\$ 869,046</u>	<u>\$ 6,301,381</u>	<u>\$ 643,451</u>

The annual requirements to amortize long-term debt and related interest are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities			
	General Obligation Bonds		Capital Lease Obligations		General Obligations Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 866,667	\$ 579,459	\$ 32,325	\$ 18,659	\$ 351,585	\$ 238,391	\$ 209,600	\$ 15,042
2007	877,351	548,695	34,502	17,511	323,689	225,368	109,248	3,075
2008	899,680	518,635	36,814	16,287	318,236	213,920	-	-
2009	926,489	484,635	39,271	14,980	330,347	201,129	-	-
2010	929,534	450,135	42,660	13,586	336,050	188,229	-	-
2011-2015	4,542,796	1,718,184	272,091	42,529	1,952,862	720,800	-	-
2016-2020	3,784,273	851,317	67,939	2,412	1,532,204	335,671	-	-
2021-2025	1,904,658	171,694	-	-	719,694	61,608	-	-
	<u>\$ 14,731,448</u>	<u>\$ 5,322,754</u>	<u>\$ 525,602</u>	<u>\$ 125,964</u>	<u>\$ 5,864,667</u>	<u>\$ 2,185,116</u>	<u>\$ 318,848</u>	<u>\$ 18,117</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
Public Improvement Bonds	5.00-7.00	09-96	09-16	2,800,000	\$ 401,250	\$ 133,750
Public Improvement Bonds	3.70-4.63	09-98	09-18	4,495,000	1,972,858	427,142
Public Improvement Bonds	4.00-4.95	03-01	03-21	5,910,000	2,524,250	2,720,750
General Obligation Bonds	4.12	01-01	01-12	300,000	222,517	-
General Obligation Bonds	2.75-4.55	10-02	03-23	6,300,000	5,940,000	-
General Obligation Bonds	2.34	05-03	09-09	1,037,794	457,073	378,525
General Obligation Bonds	3.81	10-04	07-24	3,800,000	2,000,000	1,800,000
General Obligation Bonds	3.34	02-05	09-16	1,618,000	1,213,500	404,500
					14,731,448	5,864,667
				Less deferred costs	-	(2,861)
				Less bond discount	(102,174)	(79,928)
					<u>\$ 14,629,274</u>	<u>\$ 5,781,878</u>
<u>Capital Leases:</u>						
SunTrust – Energy performance contract equipment	3.55	05-03	03-16	556,731	\$ 525,602	\$ -
Wachovia – Automated meter reading system	5.63	04-97	04-07	1,700,000	-	318,848
					<u>\$ 525,602</u>	<u>\$ 318,848</u>

(Continued)

## **TOWN OF BLACKSBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

#### **Note 8. Net Assets/Fund Equity**

**Net Assets** At June 30, the non-major waste management and golf funds had deficits in net assets of \$22,941 and \$155,947, respectively. These deficits are anticipated to be recovered through future user charges.

**Restricted Net Assets** At June 30, business-type activities restricted net assets consisted of funds received from the sale of transit capital assets originally purchased with grant funds. Per the grant stipulations, any such receipts must be restricted for future transit projects. Governmental activities restricted net assets consisted of funds from contributors for the Black House Museum Lifetime Memberships.

**Reserved Fund Balance** Fund balance reserves are used to indicate the portion of fund balance that is not available for appropriation or is legally segregated for a specific future use. Fund balance is reserved in the general fund for encumbrances related to contractual obligations for which goods or services have not been received, prepaid items and inventory.

**Designated Fund Balance** Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Fund balance is designated for future capital projects in the equipment replacement fund and capital projects fund.

#### **Note 9. Defined Benefit Pension Plan**

##### **A. Plan Description**

The Town contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System").

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with at least 25 years experience for participating local law enforcement officers and firefighters) payable monthly, for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

# TOWN OF BLACKSBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### Note 9. Defined Benefit Pension Plan (Continued)

#### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The employer has assumed this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2005 was 8.50% of annual covered payroll. The Town's contribution rate includes the employee's share of 5% paid by the employer.

#### C. Annual Pension Cost

For fiscal year 2005, the Town's annual pension cost of \$1,244,761 was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.25% to 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified fair value of assets. This method uses techniques that smooth the effects of short-term volatility in the fair value of assets over a 5-year period.

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 1,244,761	100%	\$ -
June 30, 2004	\$ 659,183	100%	\$ -
June 30, 2003	\$ 643,407	100%	\$ -

### Note 10. Property Taxes

Property is assessed at its current market value on January 1 by Montgomery County, Virginia. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5th and December 5th. Town Council approves the tax rate for both installments in April of each year. The Town bills and collects the real estate taxes. A penalty of 10 percent of the tax or \$10, whichever is greater, but not to exceed the tax, is assessed after June 5 and December 5. Taxes were levied at a rate of \$.22 and \$.20 per \$100 of assessed valuation for the 2005 and 2004 calendar years, respectively. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

### Note 11. Postretirement Health Insurance Benefits

The Town provides postretirement health care benefits, in accordance with Town policy, to all employees who retire from the Town with a minimum of fifteen years of Town service or who retire from the Town because of an allowable disability as determined by the Virginia Retirement System (VRS). The Town provides a subsidy or credit for health insurance premiums based on the number of years of service that an individual has accumulated with the Town. As of year end there are thirty six retirees eligible to participate in the program. The Town finances the plan on a pay-as-you-go basis. For the year ended June 30, 2005, the Town incurred \$50,894 of expenditures.

## **TOWN OF BLACKSBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

#### **Note 12. Risk Management**

The Town is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool, The Virginia Municipal Group Self Insurance, for their coverage of workers' compensation. The Town also participates with other localities in a public entity risk pool, the Virginia Municipal League, for their coverage of property damage. The Town pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pools will be self-sustaining through member premiums. The Town continues to carry commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### **Note 13. Commitments and Contingencies**

##### **Special Purpose Grants**

Special Purpose Grants are subject to audit to determine compliance with their requirements. Town officials believe that if any refunds are required, they will be immaterial.

##### **Litigation**

Various claims and lawsuits are pending against the Town. In the opinion of Town management, after consulting with legal counsel, the potential loss on all claims and lawsuits will not materially affect the Town's financial position.

##### **Landfill**

The Town has a closed municipal solid waste landfill that was previously operated by the Town. The Town has continued to monitor the landfill since closure, and no liabilities related to environmental remediation have arisen.

#### **Note 14. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is therefore unable to disclose the impact of adoption. The requirements of the Statement are effective in three phases based on the government's annual revenues, with the earliest effective date being for the year ended June 30, 2007.

The Government Accounting Standards Board (GASB) issued its Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* in November 2003. The new Standard will require governments to report an impairment loss when the service utility of a capital asset declines significantly and unexpectedly.

**TOWN OF BLACKSBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 14. New Accounting Standards (Continued)**

Common indicators that an asset may have been impaired are as follows:

- Evidence of physical damage.
- A change in legal requirements or environmental factors that govern the asset's use, for example, enactment of new water quality standards that cannot be met by an existing water treatment plant.
- Technological change or evidence of obsolescence.
- A change in the way an asset is used or in the length of time it is expected to be used.

GASB 42 is effective for financial statements for periods beginning after December 15, 2004, with earlier adoption encouraged. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is therefore unable to disclose the impact of adoption.

---

---

**THIS PAGE INTENTIONALLY BLANK**



## **REQUIRED SUPPLEMENTARY INFORMATION**

---

## TOWN OF BLACKSBURG, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN**  
**June 30, 2005**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
June 30, 2004	\$ 26,124,698	\$ 29,371,968	\$ 3,247,270	88.94%	\$ 9,239,262	35.15%
June 29, 2003	\$ 25,544,364	\$ 26,836,144	\$ 1,291,780	95.19%	\$ 8,850,915	14.59%
June 30, 2002	\$ 24,981,302	\$ 24,309,175	\$ (672,127)	102.76%	\$ 8,672,414	(7.75)%

## **OTHER SUPPLEMENTARY INFORMATION**

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

## NONMAJOR PROPRIETARY FUNDS

---

**Enterprise Funds** are used to account for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges. Non-major funds in this category include:

**Waste Management Fund** – accounts for the refuse and recycling activities of the Town, as provided under contract by a private refuse contractor.

**Golf Course Fund** – accounts for operation and maintenance of the Town-owned nine-hole golf course.

## TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF NET ASSETS (DEFICIT)  
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

	Business-type Activities - Enterprise Funds		
	Waste Management	Golf Course	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 126,267	\$ -	\$ 126,267
Receivables, net	126,961	-	126,961
Inventories	-	6,177	6,177
Total current assets	253,228	6,177	259,405
Noncurrent assets:			
Land and construction in progress	-	376,947	376,947
Other capital assets, net	17,562	495,718	513,280
Total noncurrent assets	17,562	872,665	890,227
Total assets	270,790	878,842	1,149,632
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	87,180	3,115	90,295
Accrued payroll and related liabilities	2,880	6,271	9,151
Accrued interest payable	-	6,270	6,270
Due to other funds	201,486	587,520	789,006
Compensated absences	1,735	5,867	7,602
Bonds payable	-	26,723	26,723
Total current liabilities	293,281	635,766	929,047
Noncurrent liabilities:			
Bonds payable	-	399,023	399,023
Total noncurrent liabilities	-	399,023	399,023
Total liabilities	293,281	1,034,789	1,328,070
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	17,562	446,919	464,481
Unrestricted	(40,053)	(602,866)	(642,919)
Total net assets (deficit)	\$ (22,491)	\$ (155,947)	\$ (178,438)

## TOWN OF BLACKSBURG, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS (DEFICIT)  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Waste Management</b>	<b>Golf Course</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,243,252	\$ 214,447	\$ 1,457,699
Other	9,502	-	9,502
Total operating revenues	1,252,754	214,447	1,467,201
<b>OPERATING EXPENSES</b>			
Personal services	95,276	190,649	285,925
Contractual services	972,241	25,002	997,243
Administration	53,596	20,222	73,818
Depreciation	1,351	65,839	67,190
Other	28,756	50,333	79,089
Total operating expenses	1,151,220	352,045	1,503,265
Operating income (loss)	101,534	(137,598)	(36,064)
<b>NONOPERATING EXPENSE</b>			
Interest expense	-	(20,170)	(20,170)
Net nonoperating expense	-	(20,170)	(20,170)
Income (loss) before transfers	101,534	(157,768)	(56,234)
<b>TRANSFERS IN</b>	18,913	-	18,913
<b>TRANSFERS OUT</b>	(26,377)	(9,607)	(35,984)
Change in net assets	94,070	(167,375)	(73,305)
<b>NET ASSETS (DEFICIT) AT JULY 1</b>	(116,561)	11,428	(105,133)
<b>NET ASSETS (DEFICIT) AT JUNE 30</b>	<u>\$ (22,491)</u>	<u>\$ (155,947)</u>	<u>\$ (178,438)</u>

## TOWN OF BLACKSBURG, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Waste Management</b>	<b>Golf Course</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,231,652	\$ 214,447	\$ 1,446,099
Payments to suppliers	(993,624)	(97,067)	(1,090,691)
Payments to employees	(94,886)	(189,991)	(284,877)
Other receipts	9,502	-	9,502
Net cash used in operating activities	152,644	(72,611)	80,033
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(26,377)	(9,607)	(35,984)
Advances from other funds	-	126,473	126,473
Net cash provided by noncapital financing activities	(26,377)	116,866	90,489
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	-	(24,610)	(24,610)
Interest paid on capital debt	-	(19,645)	(19,645)
Net cash used in capital and related financing activities	-	(44,255)	(44,255)
Net increase in cash and cash equivalents	126,267	-	126,267
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	-	-	-
Ending at June 30	\$ 126,267	\$ -	\$ 126,267
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 101,534	\$ (137,598)	\$ (36,064)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,351	65,839	67,190
Change in assets and liabilities			
(Increase) decrease in:			
Receivables, net	(11,600)	-	(11,600)
Inventories	-	3,306	3,306
(Decrease) increase in:			
Accounts payable and accrued liabilities	60,969	(4,816)	56,153
Accrued payroll and related liabilities	390	658	1,048
Net cash used in operating activities	\$ 152,644	\$ (72,611)	\$ 80,033
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital assets acquired through transfer from other fund	\$ 18,913	\$ -	\$ 18,913



## **FIDUCIARY NET ASSETS**

---

**Fiduciary Funds** are used to account for assets held by the Town as an agent for private organizations or other governments. Funds in this category include:

**New River Valley Alcohol Safety Action Program**

**Virginia Tech/Montgomery Regional Airport Authority**

## TOWN OF BLACKSBURG, VIRGINIA

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	<b>New River Valley Alcohol Safety Action Program</b>	<b>Virginia Tech Montgomery County Regional Airport</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 347,209	\$ 145,421	\$ 492,630
Accounts receivable, net	294,427	42,221	336,648
Due from other governmental units	-	393,886	393,886
Inventory	-	43,964	43,964
Land and construction in progress	-	1,008,484	1,008,484
Other capital assets, net	-	87,190	87,190
	<hr/>	<hr/>	<hr/>
Total assets	\$ 641,636	\$ 1,721,166	\$ 2,362,802
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 74,936	\$ 468,392	\$ 543,328
Due to other governmental units	79,374	24,299	103,673
Liability to agency	487,326	1,228,475	1,715,801
	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 641,636	\$ 1,721,166	\$ 2,362,802
	<hr/>	<hr/>	<hr/>

## TOWN OF BLACKSBURG, VIRGINIA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

June 30, 2005

	<b>New River Valley Alcohol Safety Action Program</b>	<b>Virginia Tech Montgomery County Regional Airport</b>	<b>Total</b>
<b>ASSETS</b>			
Balance Beginning of Year	\$ 522,798	\$ 355,076	\$ 877,874
Additions	676,900	1,727,051	2,403,951
Deletions	558,062	360,961	919,023
Balance End of Year	<u>\$ 641,636</u>	<u>\$ 1,721,166</u>	<u>\$ 2,362,802</u>
<b>LIABILITIES</b>			
Balance Beginning of Year	\$ 522,798	\$ 355,076	\$ 877,874
Additions	676,900	1,727,051	2,403,951
Deletions	558,062	360,961	919,023
Balance End of Year	<u>\$ 641,636</u>	<u>\$ 1,721,166</u>	<u>\$ 2,362,802</u>

---

---

**THIS PAGE INTENTIONALLY BLANK**

## **SUPPORTING SCHEDULES**

---

**SCHEDULE 1****TOWN OF BLACKSBURG, VIRGINIA****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Year Ended June 30, 2005**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
<u>Department of Housing and Community Development</u>		
Community Development Block Grants	14.218	\$ 692,443
<b><u>DEPARTMENT OF JUSTICE</u></b>		
Bulletproof Vest Partnership Program	16.607	648
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>		
<u>Department of Motor Vehicles</u>		
DUI/Occupant Protection Grant/AL03-02-59802	20.000	2,598
<u>Virginia Department of Rail and Public Transportation</u>		
Urban Mass Transportation Capital and Operating Assistance Grants 42000-52/42001-57 VA 900231/ 90-231-00 42002-14/41002-57 71001-40/71001-41	20.507	1,434,649
RTAP Scholarship	20.000	947
MPO Grant	20.000	<u>43,795</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,175,080</u></u>

**Notes to Schedule of Expenditures of Federal Awards**

## Note 1. Significant Accounting Policy

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

**TOWN OF BLACKSBURG, VIRGINIA**

**COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2005**

Total assessed value of real estate (including public service corporations)	<u>\$ 1,667,444,499</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>166,744,450</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	14,731,448
Enterprise debt	5,864,667
Capital lease obligation	<u>844,450</u>
	<u>21,440,565</u>
Legal debt margin	<u>\$ 145,303,885</u>

- (1) Article 7, Section 10, of the Constitution of Virginia, mandates a limit on debt of the Town. In determining the limitation, there are certain classes of indebtedness that would not be included.

---

---

**THIS PAGE INTENTIONALLY BLANK**



## STATISTICAL SECTION

---

**TOWN OF BLACKSBURG, VIRGINIA**  
**GENERAL FUND REVENUE AND OTHER FINANCING SOURCES BY SOURCE**  
**Last Ten Fiscal Years**

**TABLE 1**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes</b>	<b>Licenses Fees and Permits</b>	<b>Fines</b>	<b>Revenue From Use of Money and Property</b>	<b>Charges for Services</b>	<b>From Other Agencies</b>	<b>Other</b>	<b>Other Financing Sources</b>	<b>Totals</b>
2005	\$ 10,061,456	\$ 2,099,146	\$ 316,765	\$ 173,711	\$ 1,790,953	\$ 4,067,603	\$ 560,243	\$ 2,213,500	\$ 21,283,377
2004	\$ 9,378,843	\$ 1,901,465	\$ 304,343	\$ 36,461	\$ 1,774,726	\$ 3,361,245	\$ 567,702	\$ 60,556	\$ 17,385,341
2003	\$ 8,326,085	\$ 1,698,086	\$ 251,116	\$ 102,735	\$ 1,667,278	\$ 3,285,855	\$ 538,539	\$ 7,557,232	\$ 23,426,926
2002	\$ 7,942,330	\$ 1,546,904	\$ 215,267	\$ 148,533	\$ 1,505,418	\$ 3,365,800	\$ 489,770	\$ 727,429	\$ 15,941,451
2001	\$ 7,744,426	\$ 1,575,386	\$ 210,708	\$ 363,522	\$ 1,166,655	\$ 3,019,205	\$ 448,692	\$ 3,260,596	\$ 17,789,190
2000	\$ 7,588,575	\$ 1,411,495	\$ 191,522	\$ 263,726	\$ 1,178,547	\$ 2,857,365	\$ 413,571	\$ 23,000	\$ 13,927,801
1999	\$ 6,957,220	\$ 1,444,226	\$ 157,990	\$ 194,682	\$ 1,137,652	\$ 2,291,595	\$ 362,308	\$ 3,590,083	\$ 16,135,756
1998	\$ 6,275,039	\$ 1,140,971	\$ 142,391	\$ 196,967	\$ 1,136,959	\$ 2,194,133	\$ 359,415	\$ 224,596	\$ 11,670,471
1997	\$ 5,933,119	\$ 1,084,937	\$ 142,572	\$ 246,386	\$ 1,150,690	\$ 2,154,752	\$ 326,024	\$ 2,100,000	\$ 13,138,480
1996	\$ 5,656,426	\$ 991,537	\$ 139,107	\$ 161,010	\$ 1,157,450	\$ 2,139,868	\$ 301,931	\$ -	\$ 10,547,329

**GENERAL FUND EXPENDITURES AND OTHER USES BY FUNCTION**  
**Last Ten Fiscal Years (1)**

**TABLE 2**

<b>Fiscal Year Ended June 30,</b>	<b>Legislative (2)</b>	<b>Executive</b>	<b>Legal</b>	<b>Financial Services</b>	<b>Police</b>	<b>Rescue and Fire</b>	<b>Public Works</b>	<b>Technology (1)</b>	<b>Recreation</b>	<b>Capital Outlay</b>	<b>Planning and Engineering</b>	<b>Other</b>	<b>Totals</b>
2005	\$ 203,903	\$ 1,439,919	\$ 189,283	\$ 1,154,763	\$ 4,729,668	\$ 558,184	\$ 4,039,892	\$ 354,642	\$ 1,324,166	\$ -	\$ 1,273,355	\$ 4,845,924	\$20,113,699
2004	\$ 159,187	\$ 1,148,064	\$ 164,290	\$ 1,081,349	\$ 4,402,777	\$ 627,888	\$ 3,767,560	\$ 332,776	\$ 1,241,182	\$ 288,500	\$ 1,436,141	\$ 3,590,056	\$18,239,770
2003	\$ 158,363	\$ 1,051,921	\$ 176,537	\$ 1,012,835	\$ 4,424,727	\$ 543,451	\$ 3,384,144	\$ 295,671	\$ 1,286,132	\$ 244,656	\$ 1,379,848	\$ 5,997,838	\$19,956,123
2002	\$ 247,212	\$ 870,097	\$ 162,583	\$ 993,695	\$ 4,146,656	\$ 628,229	\$ 3,136,947	\$ 327,239	\$ 1,293,617	\$ 650,000	\$ 1,318,580	\$ 2,884,097	\$16,658,952
2001	\$ 218,723	\$ 662,759	\$ 166,642	\$ 937,732	\$ 3,839,623	\$ 514,161	\$ 3,198,638	\$ 272,511	\$ 1,215,210	\$ -	\$ 1,184,158	\$ 4,581,658	\$16,791,815
2000	\$ 229,656	\$ 543,497	\$ 149,780	\$ 775,455	\$ 3,731,111	\$ 457,763	\$ 2,666,096	\$ 239,563	\$ 1,024,300	\$ -	\$ 1,056,634	\$ 4,090,506	\$14,964,361
1999	\$ 182,055	\$ 472,963	\$ 165,411	\$ 868,059	\$ 3,427,676	\$ 392,160	\$ 2,484,506	\$ -	\$ 836,443	\$ 617,802	\$ 857,053	\$ 5,297,848	\$15,601,976
1998	\$ 162,226	\$ 466,905	\$ 130,203	\$ 811,705	\$ 3,294,622	\$ 495,565	\$ 2,315,881	\$ -	\$ 782,871	\$ -	\$ 842,734	\$ 3,247,219	\$12,549,931
1997	\$ 170,377	\$ 441,072	\$ 123,145	\$ 694,809	\$ 3,106,069	\$ 375,327	\$ 2,261,043	\$ -	\$ 743,050	\$ -	\$ 833,912	\$ 3,566,300	\$12,315,104
1996	\$ 168,536	\$ 438,629	\$ 118,228	\$ 639,520	\$ 2,952,738	\$ 359,787	\$ 2,152,782	\$ -	\$ 685,210	\$ -	\$ 800,725	\$ 2,846,423	\$11,162,578

(1) New department in fiscal year 2000.

(2) Agencies and Authorities were moved to Executive department in fiscal year 2003.

**TOWN OF BLACKSBURG, VIRGINIA**

**TABLE 3**

**TAX REVENUE (GENERAL FUND) BY SOURCE  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Property Tax</b>	<b>Interest on Taxes</b>	<b>Utility Tax</b>	<b>Bank Franchise Fee</b>	<b>Consumer Share Local Sales Tax</b>	<b>Cigarette Tax</b>	<b>Meals Tax</b>	<b>Other</b>	<b>Total</b>
2005	\$ 3,467,145	\$ 3,952	\$ 1,602,445	\$ 244,931	\$ 1,115,100	\$ 414,729	\$ 2,256,337	\$ 956,817	\$ 10,061,456
2004	\$ 3,231,918	\$ 3,627	\$ 1,576,801	\$ 244,943	\$ 1,143,277	\$ 286,507	\$ 2,084,640	\$ 807,130	\$ 9,378,843
2003	\$ 2,822,014	\$ 3,235	\$ 1,508,979	\$ 230,763	\$ 907,802	\$ 175,500	\$ 1,630,302	\$ 1,047,490	\$ 8,326,085
2002	\$ 2,415,624	\$ 2,299	\$ 1,500,946	\$ 203,230	\$ 826,243	\$ 160,505	\$ 1,647,795	\$ 1,185,688	\$ 7,942,330
2001	\$ 2,357,350	\$ 1,307	\$ 1,383,810	\$ 231,261	\$ 839,679	\$ 185,001	\$ 1,535,645	\$ 1,210,373	\$ 7,744,426
2000	\$ 2,312,242	\$ 11,989	\$ 1,338,469	\$ 204,559	\$ 949,790	\$ 185,012	\$ 1,488,055	\$ 1,098,459	\$ 7,588,575
1999	\$ 2,054,972	\$ 10,243	\$ 1,283,243	\$ 221,433	\$ 916,308	\$ 211,284	\$ 1,354,702	\$ 905,035	\$ 6,957,220
1998	\$ 1,743,319	\$ 7,547	\$ 1,236,241	\$ 217,812	\$ 847,557	\$ 195,722	\$ 1,243,725	\$ 783,116	\$ 6,275,039
1997	\$ 1,733,945	\$ 5,140	\$ 1,181,493	\$ 227,976	\$ 795,820	\$ 159,916	\$ 1,188,211	\$ 640,618	\$ 5,933,119
1996	\$ 1,708,465	\$ 3,270	\$ 1,156,375	\$ 201,109	\$ 741,961	\$ 175,547	\$ 1,085,717	\$ 583,982	\$ 5,656,426

**PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

**TABLE 4**

<b>Fiscal Year Ended June 30,</b>	<b>Per \$100 Assessed Valuation</b>	<b>Total Tax Levy</b>	<b>Current Tax Collection</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Total Collections of Current Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Outstanding Delinquent Taxes As Percent of Current Levy</b>
2005	\$ 0.22	\$ 3,455,871	\$ 3,405,397	98.54%	\$ 69,728	\$ 3,475,125	100.56%	\$ 66,070	1.91%
2004	\$ 0.20	\$ 3,225,457	\$ 3,158,025	97.91%	\$ 80,539	\$ 3,238,564	100.41%	\$ 56,696	1.76%
2003	\$ 0.20	\$ 2,795,356	\$ 2,760,442	98.75%	\$ 61,572	\$ 2,822,014	100.95%	\$ 66,484	2.38%
2002	\$ 0.20	\$ 2,480,104	\$ 2,330,639	93.97%	\$ 84,985	\$ 2,415,624	97.40%	\$ 54,370	2.19%
2001	\$ 0.20	\$ 2,360,831	\$ 2,306,272	97.69%	\$ 51,078	\$ 2,357,350	99.85%	\$ 52,556	2.23%
2000	\$ 0.20	\$ 2,313,210	\$ 2,276,133	98.40%	\$ 38,859	\$ 2,314,992	100.08%	\$ 31,586	1.37%
1999	\$ 0.20	\$ 2,048,277	\$ 2,010,072	98.13%	\$ 47,496	\$ 2,057,568	100.45%	\$ 37,745	1.84%
1998	\$ 0.20	\$ 1,745,763	\$ 1,706,841	97.77%	\$ 37,730	\$ 1,744,571	99.93%	\$ 26,870	1.54%
1997	\$ 0.20	\$ 1,719,830	\$ 1,704,262	99.09%	\$ 33,943	\$ 1,738,205	101.07%	\$ 22,433	1.30%
1996	\$ 0.20	\$ 1,705,500	\$ 1,700,015	99.68%	\$ 13,573	\$ 1,713,588	100.47%	\$ 22,213	1.30%

## TOWN OF BLACKSBURG, VIRGINIA

TABLE 5

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Real Property (1)		Public Service Corporations		Total		Ratio of Total Assessed To Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2005	\$ 1,624,106,680	\$ 1,624,106,680	\$ 43,337,819	\$ 43,337,819	\$ 1,667,444,499	\$ 1,667,444,499	100%
2004	\$ 1,577,991,640	\$ 1,577,991,640	\$ 43,986,000	\$ 43,986,000	\$ 1,621,977,640	\$ 1,621,977,640	100%
2003	\$ 1,551,417,200	\$ 1,551,417,200	\$ 35,450,000	\$ 35,450,000	\$ 1,586,867,200	\$ 1,586,867,200	100%
2002	\$ 1,174,768,210	\$ 1,174,768,210	\$ 37,282,000	\$ 37,282,000	\$ 1,212,050,210	\$ 1,212,050,210	100%
2001	\$ 1,156,715,600	\$ 1,156,715,600	\$ 36,654,446	\$ 36,654,446	\$ 1,193,370,046	\$ 1,193,370,046	100%
2000	\$ 1,131,776,780	\$ 1,131,776,780	\$ 36,799,786	\$ 36,799,786	\$ 1,168,576,566	\$ 1,168,576,566	100%
1999	\$ 1,099,954,180	\$ 1,099,954,180	\$ 28,781,859	\$ 28,781,859	\$ 1,128,736,039	\$ 1,128,736,039	100%
1998	\$ 863,590,100	\$ 863,590,100	\$ 26,466,340	\$ 26,466,340	\$ 890,056,440	\$ 890,056,440	100%
1997	\$ 870,211,717	\$ 870,211,717	\$ 24,923,487	\$ 24,923,487	\$ 895,135,204	\$ 895,135,204	100%
1996	\$ 835,430,939	\$ 835,430,939	\$ 26,016,364	\$ 26,016,364	\$ 861,447,303	\$ 861,447,303	100%

(1) Real property assessments are made by the Commissioner of Revenue of Montgomery County for concurrent use of the County and Town. Public Service Corporations are assessed by the State Corporation Commission. Blacksburg does not assess local personal property tax.

**PROPERTY TAX RATES AND TAX LEVIES**  
**ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

TABLE 6

Fiscal Year Ended June 30,	Tax Rate Per \$100 Assessed Valuation			Tax Levy		
	Town	County	Total	Town	County (1)	Total
2005	\$ 0.220	\$ 0.670	\$ 0.890	\$ 3,445,871	\$ 10,494,244	\$ 13,940,115
2004	\$ 0.200	\$ 0.670	\$ 0.870	\$ 3,225,457	\$ 10,805,281	\$ 14,030,738
2003	\$ 0.200	\$ 0.640	\$ 0.840	\$ 2,795,356	\$ 8,945,139	\$ 11,740,495
2002	\$ 0.200	\$ 0.815	\$ 1.015	\$ 2,480,104	\$ 10,106,424	\$ 12,586,528
2001	\$ 0.200	\$ 0.745	\$ 0.945	\$ 2,360,831	\$ 8,794,095	\$ 11,154,926
2000	\$ 0.200	\$ 0.680	\$ 0.880	\$ 2,313,210	\$ 7,864,914	\$ 10,178,124
1999	\$ 0.200	\$ 0.630	\$ 0.830	\$ 2,048,277	\$ 6,452,072	\$ 8,500,349
1998	\$ 0.200	\$ 0.760	\$ 0.960	\$ 1,745,763	\$ 6,633,899	\$ 8,379,662
1997	\$ 0.200	\$ 0.700	\$ 0.900	\$ 1,719,830	\$ 6,048,622	\$ 7,768,452
1996	\$ 0.200	\$ 0.700	\$ 0.900	\$ 1,705,500	\$ 5,802,027	\$ 7,507,527

(1) As reported by the Montgomery County Assessor's Office for real estate within the Corporate limits of Blacksburg.

TABLE 7

**TOWN OF BLACKSBURG, VIRGINIA**  
**RATIO OF NET GENERAL BONDED DEBT TO**  
**ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Population (1)</b>	<b>Assessed Value</b>	<b>Net Bonded Debt (2)</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2005	43,000	\$ 1,667,444,499	\$ 14,731,448	0.883%	\$ 342.59
2004	41,065	\$ 1,621,977,640	\$ 13,360,402	0.824%	\$ 325.35
2003	40,868	\$ 1,586,867,200	\$ 14,102,271	0.889%	\$ 345.07
2002	40,294	\$ 1,212,050,210	\$ 8,394,612	0.693%	\$ 208.33
2001	39,933	\$ 1,193,370,046	\$ 8,815,591	0.739%	\$ 220.76
2000	39,573	\$ 1,168,576,566	\$ 7,368,840	0.631%	\$ 186.21
1999	38,600	\$ 1,128,736,039	\$ 8,048,150	0.713%	\$ 208.50
1998	35,760	\$ 890,056,440	\$ 6,519,900	0.733%	\$ 182.32
1997	35,760	\$ 895,135,204	\$ 7,087,900	0.792%	\$ 198.21
1996	35,580	\$ 861,447,303	\$ 5,295,900	0.615%	\$ 148.84

(1) United States Bureau of Census, 2000; estimates provided by Town of Blacksburg Planning Department, 1994-1999, 2001-2003.

(2) Does not include general obligation debt to be repaid by Enterprise Funds.

TABLE 8

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**Year Ended June 30, 2005**

<b><u>Name of Governmental Unit</u></b>	<b><u>Outstanding</u></b>	<b><u>Unit Percentage</u></b>	<b><u>Share of Debt</u></b>
<b><u>Direct Debt</u></b>			
Town of Blacksburg			
General Bonded Debt	\$ 14,731,448	100.00%	\$ 14,731,448
Water and Sewer Bonded Debt (Self Supporting)	5,434,791	100.00%	5,434,791
Golf Course (Self Supporting)	429,876	100.00%	429,876
<b><u>Overlapping Debt (1)</u></b>			
Montgomery County			
General Bonded Debt	27,940,066	35.70%	( 9,974,604
Total Direct and Overlapping Debt	<u>\$ 48,536,181</u>		<u>\$ 30,570,719</u>

(1) Overlapping debt is not bonded debt of the Town of Blacksburg on either a direct or contingent basis, but represents the share of debt of Montgomery County which the residents of the Town of Blacksburg are obligated to pay through direct tax levies by Montgomery County. The debt of Montgomery County is a direct general obligation debt of the County for school facilities to benefit citizens of the County as a whole, including those residing within the Town.

(2) Based on the Town's assessed valuation as a percentage of the County's assessed valuation.

TABLE 9

**TOWN OF BLACKSBURG, VIRGINIA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Principal</b>		<b>Interest</b>	<b>Other Debt Service Costs</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures/ Encumbrances</b>	<b>Ratio of Debt Service to Total General Fund Expenditures</b>
2005	\$ 1,873,583	(4)	\$ 537,167	\$ 158,256	\$ 2,569,006	\$ 20,382,341	12.60%
2004	\$ 741,869		\$ 615,260	\$ -	\$ 1,357,129	\$ 18,409,957	7.37%
2003	\$ 1,215,766	(3)	\$ 462,458	\$ 85,431	\$ 1,763,655	\$ 20,124,610	8.76%
2002	\$ 720,979		\$ 455,290	\$ 1,273	\$ 1,177,542	\$ 16,658,952	7.07%
2001	\$ 1,524,443	(1)	\$ 331,897	\$ 37,559	\$ 1,893,899	\$ 16,791,815	11.28%
2000	\$ 679,310		\$ 386,580	\$ 1,181	\$ 1,067,071	\$ 14,964,361	7.13%
1999	\$ 2,166,750	(2)	\$ 350,715	\$ 28,336	\$ 2,545,801	\$ 15,601,976	16.32%
1998	\$ 568,000		\$ 412,316	\$ 3,202	\$ 983,518	\$ 12,549,931	7.84%
1997	\$ 608,000		\$ 373,572	\$ 17,599	\$ 999,171	\$ 12,315,104	8.11%
1996	\$ 628,000		\$ 349,897	\$ 1,865	\$ 979,762	\$ 11,162,578	8.78%

- (1) During the fiscal year, \$783,000 of bonds outstanding for the Town's 1992 and 1994 general obligation bond issues were advance refunded.
- (2) During the fiscal year, \$1,585,000 of bonds outstanding for the Town's 1990 general obligation bond issue, callable September 24, 1998, were refunded.
- (3) During the fiscal year, \$960,000 of bonds outstanding for the Town's 1992 and 1994 general obligation bond issue, were advance refunded.
- (4) During the fiscal year, \$1,190,503 of bonds outstanding for the Town's 1996 general obligation bond issue was advance refunded.

TABLE 10

**SCHEDULE OF ENTERPRISE/WATER AND SEWER FUND BOND COVERAGE**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Gross Revenue</b>	<b>Direct Operating Expenses(1)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2005	\$ 7,406,874	\$ 6,421,581	\$ 985,293	\$ 324,862	\$ 219,713	\$ 544,575	1.81
2004	\$ 6,805,488	\$ 6,447,375	\$ 358,113	\$ 250,096	\$ 166,933	\$ 417,029	0.86
2003	\$ 6,770,674	\$ 5,947,686	\$ 822,988	\$ 234,921	\$ 195,133	\$ 430,054	1.91
2002	\$ 6,532,370	\$ 4,858,688	\$ 1,673,682	\$ 323,671	\$ 211,803	\$ 535,474	3.13
2001	\$ 6,698,400	\$ 4,767,745	\$ 1,930,655	\$ 253,041	\$ 166,136	\$ 419,177	4.61
2000	\$ 6,271,208	\$ 4,588,685	\$ 1,682,523	\$ 260,690	\$ 158,233	\$ 418,923	4.02
1999	\$ 6,546,472	\$ 4,484,639	\$ 2,061,833	\$ 183,250	\$ 155,271	\$ 338,521	6.09
1998	\$ 6,042,378	\$ 4,487,236	\$ 1,555,142	\$ 182,000	\$ 142,955	\$ 324,955	4.79
1997	\$ 5,400,401	\$ 4,132,000	\$ 1,268,401	\$ 162,000	\$ 146,631	\$ 308,631	4.11
1996	\$ 4,667,346	\$ 4,229,652	\$ 437,694	\$ 157,000	\$ 122,441	\$ 279,441	1.57

- (1) Total expenses exclusive of depreciation and bond interest.

Note: The Town does not have any overlapping debt.

TABLE 11

## TOWN OF BLACKSBURG, VIRGINIA

## DEMOGRAPHIC STATISTICS

<u>Population</u>	
<u>Year</u>	<u>Population</u>
1950	3,358
1960	7,070
1970	9,384
1980	30,638
1990	34,590 (1)
1999	39,050
2000	39,573
2004	41,065
2005	43,000

Source: United States Bureau of the Census.  
Town of Blacksburg Department of Planning and Engineering

(1) U.S. Census restated after annexation.

Income Profile  
Median Family Income

<u>Montgomery County (includes Town)</u>			<u>Commonwealth of Virginia</u>		
<u>1990</u>	<u>2000 (1)</u>	<u>2002</u>	<u>1990</u>	<u>2000</u>	<u>2002</u>
\$ 34,031	\$ 46,950	\$ 48,498	\$ 36,175	\$ 49,858	\$ 57,924

Per Capita Income

<u>Montgomery County (3)</u>			<u>Commonwealth of Virginia</u>		
<u>1990</u>	<u>2000</u>	<u>2002 (2)</u>	<u>1990</u>	<u>2000</u>	<u>2002 (2)</u>
\$ 13,243	\$ 18,950	\$ 20,392	\$ 19,701	\$ 31,084	\$ 32,793

Source: Center for Public Service, University of Virginia  
Information not available for towns in Virginia. Blacksburg is included in statistics for Montgomery County.

- (1) Latest available projection from the Weldon Cooper Center.  
(2) Latest available data.  
(3) Includes City of Radford.

	<u>Unemployment Rate (1)</u>			
	<u>June 2005</u>	<u>June 2004</u>	<u>June 2003</u>	<u>June 2002</u>
Montgomery County (includes Town of Blacksburg)	3.6%	2.6%	2.6%	2.9%
Commonwealth of Virginia	3.8%	3.8%	4.3%	4.3%
United States	5.2%	5.6%	6.5%	6.0%

(1) Rate not seasonally adjusted.

TABLE 12

**TOWN OF BLACKSBURG, VIRGINIA**  
**SCHEDULE OF PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS**  
**Last Ten Calendar Years**

Calendar Year	Residential Construction		Commercial Construction		Institutional and Industrial Construction		Total (1)		Bank Deposits (2)	Property Value
	Number of Units	Value	Number of Units	Value	Number of Units	Value	Number of Units	Value		
2004	148	\$ 19,061,236	8	\$ 5,903,920	-	\$ -	156	\$ 24,965,156	\$ 493,782,247	\$ 1,667,444,499
2003	131	\$ 16,287,641	9	\$ 15,844,210	3	\$ 704,000	143	\$ 32,835,851	\$ 415,408,457	\$ 1,621,977,640
2002	160	\$ 17,268,798	22	\$ 20,800,031	2	\$ 6,170,000	184	\$ 44,238,829	\$ 398,966,901	\$ 1,586,867,200
2001	56	\$ 9,311,861	2	\$ 6,016,000	2	\$ 13,148,720	60	\$ 28,476,581	\$ 360,568,572	\$ 1,212,050,210
2000	77	\$ 9,234,890	8	\$ 10,233,800	1	\$ 3,000,000	86	\$ 22,468,690	\$ 408,380,755	\$ 1,193,370,046
1999	450	\$ 13,796,407	80	\$ 12,348,159	-	\$ -	530	\$ 26,144,566	\$ 340,022,838	\$ 1,168,576,566
1998	426	\$ 26,145,634	4	\$ 4,965,000	1	\$ 312,000	431	\$ 31,422,634	\$ 357,375,691	\$ 1,128,736,039
1997	287	\$ 20,108,499	42	\$ 10,337,149	4	\$ 60,750	333	\$ 30,506,398	\$ 320,600,914	\$ 890,056,440
1996	138	\$ 11,387,414	7	\$ 2,341,347	-	\$ -	145	\$ 13,728,761	\$ 298,765,782	\$ 895,135,204
1995	302	\$ 11,040,456	65	\$ 12,358,727	2	\$ 133,410	369	\$ 23,532,593	\$ 280,995,952	\$ 861,447,303

(1) Includes apartments.

(2) Source: Director of Financial Services, Town of Blacksburg. Bank Deposits are amounts on deposit as of January 1, 2002. (Does not include deposits held at savings banks, credit unions or other financial institutions.)



Table 13

## TOWN OF BLACKSBURG, VIRGINIA

## PRINCIPAL TAXPAYERS

June 30, 2005

Name	Nature of Business	Assessed Valuation	Percent of Total Assessed Valuation
Foxridge Association	Apartments	\$ 58,333,900	3.50%
SHP-The Village at Blacksburg Inc.	Apartments	27,682,700	1.66%
HCA Montgomery Regional Hospital	Hospital	18,141,300	1.09%
Diversified Interest	Apartments	16,766,900	1.01%
CSB, LLC II	Apartments	16,738,200	1.00%
Verizon Virginia Inc.	Public Service	16,726,935	1.00%
Windsor Hills I, LP	Apartments	15,381,400	0.92%
Terrace View Assoc.	Apartments	14,244,300	0.85%
Collegiate Square LLC	Shopping Center/Rental	11,455,400	0.69%
Oakbridge West, LLC	Apartments	11,000,100	0.66%
Maple Ridge Land, LLC	Apartments	10,747,400	0.64%
Knollwood Development, LC	Apartments	10,683,500	0.64%
New River Valley Associates, LTD	Apartments	10,552,700	0.63%
American Electric Power	Public Service	10,015,295	0.60%
University Mall, LLC	Shopping Center/Rental	8,821,200	0.53%
C P Properties, LLC	Shopping Center/Rental	8,499,600	0.51%
TLC Blacksburg LC	Shopping Center	8,468,900	0.51%
Snyder Hunt Corp.	Construction	8,382,300	0.50%
Robert Pack	Commercial/Apartments	8,330,800	0.50%
Baker Investments	Apartments/Rental	8,148,300	0.49%
		<u>\$ 299,121,130</u>	<u>17.94%</u>

**TABLE 14****TOWN OF BLACKSBURG, VIRGINIA****MISCELLANEOUS DATA****June 30, 2005**

Date of Incorporation	March 22, 1871
Form of Government	Council-Manager
Area (square miles)	19.7
Miles of streets	234
Number of street lights	1,460
Fire Protection:	
Firefighters	59
Stations	2
Law Enforcement:	
Officers	58
Stations	1
Education	
Number of schools	6
Number of students	3,538
Municipal Water Department	
Number of customers	8,662
Average daily consumption (million gallons)	3.2
Miles of water mains	155.9
Sewers	
Miles of sanitary sewers	139.2
Miles of storm sewers	53.4
Buildings permits issued	867
Recreation and Culture:	
Number of parks	20
Number of public libraries (Blacksburg branch)	1
Number of books at branch	70,000
Number of branches in the regional public library	3
Number of books	180,000
Municipal Employees	
Classified positions	251
Exempt	2

TABLE 15

## TOWN OF BLACKSBURG, VIRGINIA

**CONTINUING BOND DISCLOSURES**  
**FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**Last Five Fiscal Years**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>REVENUES</b>					
Taxes	\$ 7,744,426	\$ 7,942,330	\$ 8,326,085	\$ 9,378,843	\$ 10,061,456
Licenses and permits	1,575,386	1,546,904	1,698,086	1,901,465	2,099,146
Intergovernmental	3,019,205	3,365,800	3,285,855	3,361,245	4,067,603
Charges for services	1,166,655	1,505,418	1,667,278	1,774,726	1,790,953
Fines and forfeitures	210,708	215,267	251,116	304,343	316,765
Investment earnings	363,522	148,533	102,735	36,461	173,711
Other	448,692	489,770	538,539	567,702	560,243
Other financing sources	3,260,596	727,429	7,557,232	60,556	2,213,500
Total revenues	<u>17,789,190</u>	<u>15,941,451</u>	<u>23,426,926</u>	<u>17,385,341</u>	<u>21,283,377</u>
<b>EXPENDITURES</b>					
Current:					
Legislative	218,723	247,212	158,363	159,187	203,903
Executive	662,525	867,247	1,051,921	1,148,064	1,439,919
Legal	166,642	162,473	176,537	164,290	189,283
Judicial	7,817	17,942	8,875	15,454	11,726
Financial services	900,475	989,795	1,012,835	1,081,349	1,154,763
Technology	272,511	327,239	295,671	332,776	354,642
Police	3,820,171	4,124,354	4,424,727	4,402,777	4,729,668
Fire and rescue	440,683	624,006	543,451	627,888	558,184
Public works	3,176,698	3,107,588	3,384,144	3,767,560	4,039,892
Recreation	1,205,198	1,291,778	1,286,132	1,241,182	1,324,166
Planning and engineering	1,178,196	1,303,164	1,379,848	1,436,141	1,273,355
Nondepartmental and transfers	2,672,317	1,688,613	4,225,308	2,217,473	2,265,192
Capital outlays	-	650,000	244,656	288,500	-
Debt service:	1,893,899	1,177,542	1,763,655	1,357,129	2,569,006
Total expenditures	<u>16,615,855</u>	<u>16,578,953</u>	<u>19,956,123</u>	<u>18,239,770</u>	<u>20,113,699</u>
Excess (deficiency) of revenues over expenditures	<u>1,173,335</u>	<u>(637,502)</u>	<u>3,470,803</u>	<u>(854,429)</u>	<u>1,169,678</u>
<b>FUND BALANCES AT JULY 1</b>	<u>1,463,636</u>	<u>2,636,971</u>	<u>1,999,469</u>	<u>5,470,272</u>	<u>4,615,843</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 2,636,971</u>	<u>\$ 1,999,469</u>	<u>\$ 5,470,272</u>	<u>\$ 4,615,843</u>	<u>\$ 5,785,521</u>
<b>Reserved:</b>					
Reserved for encumbrances	\$ 175,960	\$ 79,999	\$ 168,487	\$ 170,187	\$ 268,642
Reserved for inventory	139,247	126,260	124,784	128,197	129,027
Reserved for museum lifetime memberships	-	-	-	12,500	-
Reserved for prepaid expenditures	32,223	13,119	23,000	-	20,435
Total reserved fund balance	<u>347,430</u>	<u>219,378</u>	<u>316,271</u>	<u>310,884</u>	<u>418,104</u>
Total unreserved fund balance	<u>2,289,541</u>	<u>1,780,091</u>	<u>5,154,001</u>	<u>4,304,959</u>	<u>5,367,417</u>
Ending fund balance	<u>\$ 2,636,971</u>	<u>\$ 1,999,469</u>	<u>\$ 5,470,272</u>	<u>\$ 4,615,843</u>	<u>\$ 5,785,521</u>

TABLE 15

## TOWN OF BLACKSBURG, VIRGINIA

**CONTINUING BOND DISCLOSURES**  
**FIVE YEAR SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**WATER AND SEWER FUND**  
**Last Five Fiscal Years**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 6,037,591	\$ 5,943,513	\$ 6,088,828	\$ 6,071,830	\$ 6,235,807
Availability and transfer fees	155,485	99,975	257,883	426,412	745,819
Meter installation	94,376	49,698	151,813	83,554	130,496
Connection fees	62,141	107,359	52,081	95,631	64,068
Other	89,908	147,193	85,490	128,061	230,684
Total operating revenues	<u>6,439,501</u>	<u>6,347,738</u>	<u>6,636,095</u>	<u>6,805,488</u>	<u>7,406,874</u>
<b>OPERATING EXPENSES</b>					
Personal services	-	-	943,688	1,013,466	1,126,810
Contractual services	-	-	3,684,296	3,749,330	3,768,543
Administration	965,049	1,176,848	680,000	722,200	700,500
Depreciation	533,709	556,367	556,638	537,007	550,134
Other	3,802,696	3,681,840	639,702	962,379	825,728
Total operating expenses	<u>5,301,454</u>	<u>5,415,055</u>	<u>6,504,324</u>	<u>6,984,382</u>	<u>6,971,715</u>
Operating income (loss)	<u>1,138,047</u>	<u>932,683</u>	<u>131,771</u>	<u>(178,894)</u>	<u>435,159</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	258,899	184,632	134,579	108,982	160,915
Interest expense	(232,416)	(268,588)	(242,335)	(218,930)	(231,533)
Unrealized loss on investment	-	-	-	(111,817)	(987)
Gain (loss) on disposition of asset	-	-	-	(566,476)	12,486
Net nonoperating revenue (expenses)	<u>26,483</u>	<u>(83,956)</u>	<u>(107,756)</u>	<u>(788,241)</u>	<u>(59,119)</u>
Income (loss) before contributions and transfers	<u>1,164,530</u>	<u>848,727</u>	<u>24,015</u>	<u>(967,135)</u>	<u>376,040</u>
<b>TRANSFERS IN</b>	<u>441,310</u>	<u>378,140</u>	<u>-</u>	<u>-</u>	<u>118,964</u>
<b>TRANSFERS OUT</b>	<u>(701,389)</u>	<u>(1,820,590)</u>	<u>(92,969)</u>	<u>(101,398)</u>	<u>(112,498)</u>
Change in net assets	<u>904,451</u>	<u>(593,723)</u>	<u>(68,954)</u>	<u>(1,068,533)</u>	<u>382,506</u>
<b>NET ASSETS AT JULY 1</b>	<u>9,057,863</u>	<u>9,962,314</u>	<u>9,368,591</u>	<u>9,299,637</u>	<u>8,231,104</u>
<b>NET ASSETS AT JUNE 30</b>	<u>\$ 9,962,314</u>	<u>\$ 9,368,591</u>	<u>\$ 9,299,637</u>	<u>\$ 8,231,104</u>	<u>\$ 8,613,610</u>

**TABLE 15****TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES  
TAXABLE RETAIL SALES AND  
TAXABLE RETAIL SALES PER CAPITA  
MONTGOMERY COUNTY (INCLUDING BLACKSBURG)  
Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population</b>	<b>Taxable Retail Sales</b>	<b>Taxable Retail Sales Per Capita</b>
2005	83,959	\$ 799,503,447	\$ 9,522.55
2004	85,614	\$ 758,923,466	\$ 8,864.48
2003	84,800	\$ 737,572,982	\$ 8,697.79
2002	84,300	\$ 711,534,071	\$ 8,440.50
2001	78,797	\$ 700,357,723	\$ 8,888.13
2000	77,286	\$ 662,979,926	\$ 8,578.27
1999	76,700	\$ 629,655,833	\$ 8,209.33
1998	76,300	\$ 554,948,518	\$ 7,273.24
1997	76,600	\$ 525,786,401	\$ 6,864.05
1996	76,200	\$ 499,267,090	\$ 6,552.06

---

---

**THIS PAGE INTENTIONALLY BLANK**

## COMPLIANCE SECTION

---

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Members of Town Council  
Town of Blacksburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Town of Blacksburg, Virginia's basic financial statements and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as Items 02-1 and 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition 05-1 is a material weakness.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including certain provisions of the compliance matters described in the Summary of Compliance Matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 05-2.

\*\*\*\*\*

This report is intended solely for the information of the audit committee, management, state and federal awarding agencies, and pass-through entities and Town Council and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 22, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Honorable Members of the Town Council  
Town of Blacksburg, Virginia

**Compliance**

We have audited the compliance of the Town of Blacksburg with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

\*\*\*\*\*

This report is intended for the information of the audit committee, management, federal awarding agencies, pass-through entities, and Town Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 22, 2005



**INDEPENDENT AUDITOR'S COMMENTS ON RESOLUTION  
OF PRIOR YEAR AUDIT FINDINGS**

Honorable Members of Town Council  
Town of Blacksburg, Virginia

We reviewed the prior year report during the course of this audit to determine if the Town of Blacksburg, Virginia has implemented adequate corrective action with respect to previously reported audit findings. The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 22, 2005

**TOWN OF BLACKSBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2005**

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Personal Property Tax Relief Act

Enhanced E-911 Service Taxes

State Agency Requirements

Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

## TOWN OF BLACKSBURG, VIRGINIA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2005

#### A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two reportable conditions** relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Reportable condition 05-1 was considered to be a material weakness.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No reportable conditions** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The program tested as a major program is:

Community Development Block Grant	14.218
-----------------------------------	--------

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The Town of Blacksburg was determined to be a **low-risk auditee**.

#### B. FINDINGS – FINANCIAL STATEMENT AUDIT

##### REPORTABLE CONDITIONS

###### 02-1: Segregation of Duties

###### *Condition:*

A fundamental concept of internal controls is the segregation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited staff size, a proper segregation has not been established. The Town has put compensating controls in place, to the extent practical for day-to-day operations.

###### *Recommendation:*

Steps should be taken to eliminate performance of conflicting duties when and if it becomes practical and cost beneficial.

###### *Management Response:*

The auditee concurs with this recommendation.

###### 05-1: Cash Controls (Material Weakness)

###### *Condition:*

There are certain accounts for which the activity on the bank statements is not being reconciled to activity per the general ledger.

###### *Recommendation:*

The cash reconciliation and review process should be critically reviewed to identify the specific deficiency(s) that allowed this matter to occur and not be detected. Appropriate corrective action should then be taken, and monitored by upper management for timeliness and effectiveness.

###### *Management Response:*

The auditee concurs with this recommendation.

**TOWN OF BLACKSBURG, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

05-2: Submission of financial report to the Auditor of Public Accounts by November 30.

*Condition:*

The Town did not submit two copies of the audited financial report to the Auditor of Public Accounts by November 30 as requested by Section 15.2-2510 of the *Code of Virginia*.

*Recommendation:*

Steps should be taken to assure that the audited financial report is submitted timely.

*Management Response:*

The auditee concurs with this recommendation.